

New Zealand
TRADE & ENTERPRISE 



Developing and Implementing Local Industry Participation Plans

A Guide for Project Owners

January 2010

1. Introduction

The material in this document is intended to assist project owners prepare and report on New Zealand local industry participation plans – also called New Zealand Industry Participation Plans (NZIP). It is intended as a guide for project owners wishing to support local industry and to provide a framework for working with local industry.

The development and implementation of local industry participation plans is not a New Zealand Government requirement. However, it is good practice to investigate competitive local products for major projects. Project Proponents benefit by:

- Optimising use of local capability on projects with associated benefits
- Demonstrate that ANZ industry has been afforded Full Fair and Reasonable opportunity to participate in the project
- Ensuring project objectives are met (on time- on budget- to specification),
- Meeting any special contract conditions

Associated benefits of testing the local market and buying competitive local products and services can include:

- Lower quality conformance cost
- Lower repair risk
- Provide options for cost savings through responsiveness to innovation and design changes
- Provide savings through shorter lead times
- Lower whole of life cost
- Reduce exchange rate risks
- Provide good public relations as a corporate citizen
- Contribute to the development of the local economy

Independent economic reports from BERL indicate that every \$1 million spent locally rather than overseas results in:

- 10.4 jobs created or maintained in New Zealand
- \$108, 457 of tax revenue
- \$128,685 saving of government welfare payments
- \$207,762 of increased purchasing power locally

2. Developing an Industry Participation Plan

2.1 Introduction

Suggestions on how project owners might address specific criteria are set out below. These are designed to assist project owners in developing a NZIP Plan.

Typical NZIP components include:

- Description of project
- Net economic benefits of the plan
- Positive impacts of the plan on specific industry capabilities (e.g. defence industries,

- aviation sector, manufacturing capabilities, technology transfer, local skills development)
- Responsibilities under the plan (project proponent, cascading down the supply chain)
- Procurement practices and procedures (including NZIP contract clauses for subcontractors and suppliers)

2.2 The Plan

It is important to ensure that the plan has the following attributes:

- It clearly outlines the actions that will be taken to encourage New Zealand industry participation in the project
- There is a clear definition of the expected outcomes of the actions proposed
- It provides information on the type of evidence that may be produced to demonstrate achievement of the intended outcomes.
- Actions that will be taken to facilitate and promote New Zealand industry participation in global supply chains are clearly outlined.

If the project owner has a documented policy for New Zealand participation, a copy of that policy should be provided to the ICN and details of the endorsement and operation of the policy.

The checklists included after each part of the paper can be used to ensure that all relevant aspects have been addressed.

Part A Economic impact of the project

Project owners are not required to carry out a detailed analysis of the potential economic impact of projects. Rather factual information on actual or expected results against factors such as employment, training, and technology transfer should be supplied. Some examples of ways of achieving these objectives are provided. These are intended as general guidance only and in no way should be perceived as all-inclusive or as required actions.

Describe the project, including the economic impact of the project on New Zealand industry, in terms of:

(A): Employment

- Specify the number of new, full-time equivalent jobs to be generated during:
 - Construction of the project; and
 - Operation of the facility.
- Describe where employees are likely to come from:
 - Overseas operations; or
 - Existing operations elsewhere in New Zealand; and/ or
 - Newly recruited New Zealand employees.

(B): Skills transfer

- Describe what types and levels of skills will be required of employees and those associated with the project.
 - Identify any new or enhanced skills being introduced into New Zealand by this project.
- Identify any additional on-the-job or formal training required.
 - Who will provide the training?

(C): Regional development

The NZIP Plan could cover the following:

- Identification of any other industries that will be affected by the proposed project eg suppliers, opportunities for further processing, and the likely effect on them;
- Description of any effect on significant macroeconomic indicators, eg. exports, import replacement and inputs to other industries; and/ or
- Description of the likely major effects within the town, city or region in which the project is to be located.

This criterion could be addressed by considering the following examples:

- (a) Hold a public briefing at ...(place), which will provide timely information to the regional businesses and industry on the services, material supplies, skills and commercial support requirements of the project in its planning, construction, operation and maintenance phases; and/or
- (b) Cooperate with regional economic development bodies to facilitate the communication of the procurement and logistics requirements for goods, services, and commercial support between the project contractor suppliers.

(D): Provide information on any related technology transfers, New Zealand research and development (R&D) or other innovation activities where undertaken.

- Describe new technologies that might be transferred to, or developed in New Zealand, with the project, and/ or
- Describe the nature and value of R&D that might be undertaken in New Zealand in association with the project's construction or operation. Specify the staff to be employed in any R&D activities within New Zealand.
- Describe what will be done to ensure local industry innovation is not 'designed out' or inadvertently overlooked; or
- Discuss whether the services of the relevant office of the ICN or other Government agency will be used to identify local innovation and technology.

Does the NZIP Plan address these criteria?

The following checklist can be a useful guide as to whether all relevant criteria have been addressed.

Project Criteria	N/A	Addressed?	Where?
A. The Project will have a positive economic impact on New Zealand industry			
Information is provided on the impact the project will have on employment.			
Information is provided on any new or enhanced skills introduced into the New Zealand workforce.			
Information has been provided on efforts to encourage the development of strategic alliances with New Zealand suppliers.			

Any regional development initiatives and outcomes have been identified.			
Any support for New Zealand research and development activities has been identified.			
Will the project result in the creation of innovative products and/or processes?			

Part B Procurement practices

Project owners can address each criterion separately or provide a single response, which addresses this element as a whole. Some examples of ways of achieving these objectives are provided. These are intended as general guidance only and in no way should be perceived as all-inclusive or as required actions.

Describe how New Zealand producers will be given full, fair and reasonable opportunity to participate in the project. The project proponent could, for example:

(A): Develop strategies to incorporate New Zealand industry through all tiers of the supply chain.

Describe the actions that might have been undertaken in the following areas:

- Ensuring New Zealand companies have been given the opportunity to tender for the management of the project. Describe the nature of this management role.
- Introducing significant supplier development programs in New Zealand that actively seeks out new local suppliers, training programs and transfer technology.
- Developing strategies such as the following to ensure that New Zealand capability to supply the project has been considered:
 - Maximising the design of the project within New Zealand;
 - If design is undertaken overseas, ensuring that consideration is provided to potential New Zealand suppliers;
 - Ensuring that design specifications take New Zealand capability and standards into account and that potential New Zealand suppliers are not designed out of the project. If New Zealand standards are not specified, outline the reason for this approach; and/ or
 - Consulting with and involving Government agencies, local industry, relevant ICN offices and industry organisations to identify potential New Zealand suppliers and the capability to supply the project. If the ICN is not to be used, identify the agency to be used and detail its ability to provide information in an unbiased manner at arms length from the project. The NZIP Plan should outline evidence of any consultations and explain how the agency will be involved in the search for possible suppliers.

(B): Maximise competitive New Zealand participation in the supply of goods and services.

Project owners should outline the process that will be used by the project and relevant contractors and sub-contractors to select suppliers. Explain why this approach was chosen

and identify what aspects maximise competitive New Zealand participation, for example:

- Conducting workshops that provide sector-specific information on how to prepare bids

against tenders, including, if relevant, becoming e-procurement ready, and identify potential areas of import replacement.

- Requiring head contractors to implement the project developer's New Zealand participation policies.
- A requirement in tender documents that successful tenderers adopt specified New Zealand industry participation strategies.

If tenders are used, explain whether they are open or closed ie selective, restricted or limited.

- Where closed tenders are used, tenders should be circulated in a manner that enables New Zealand producers to be informed of project opportunities.
- If a closed tender will be used, explain how those invited to tender were selected.

Specify the likely sources of goods and services:

- Wholly supplied from New Zealand sources;
- Partly supplied from New Zealand sources e.g. manufactured in New Zealand from local and imported materials and components; and
- Wholly supplied from overseas.

(C): *Develop a communications strategy for the project and its supply chain that provides for early identification of opportunities for New Zealand participation; and transfer of information on opportunities for New Zealand industry participation through all tiers of supply.*

Describe the communications strategy for the project and how it will contribute to opportunities for New Zealand producers by processes such as:

- Alerting New Zealand industry to upcoming contracts and requirements;
- Making public announcements about the project and supply requirements eg press releases at project milestones including releases from agencies supporting the project, industry associations, business journals or a website;
- Conducting supplier conferences to communicate requirements and share information;
- Developing a 'Supplier Information Guide' that details expectations of the suppliers including rewards and penalties;
- Forming 'cooperation clubs' to interact with suppliers on technical issues; or
- Ensuring feedback is provided to unsuccessful local tenderers to encourage improved performance in future tenders.

Other communication activities could include the following:

- Letters to potential suppliers;
- Advertisements advising local business of opportunities;

- Tender documents citing New Zealand standards;
- Communications with global supply chain managers and procurement agents about New Zealand industry capability, or
- Evidence of training for local workers/industry to fulfill capability requirements.

(D): Structure tender documents to ensure local suppliers are provided with the same opportunity to participate in the project as existing supply chain partners. Sub-contractors should be encouraged to do the same.

Action along the following lines might be undertaken:

- Provide the Engineering, Procurement and Construction Management company contracted to pull the project together, or the project management group, with encouragement and autonomy to cooperate with and involve New Zealand producers;
- Require or encourage contractors and sub-contractors to identify and provide opportunities to New Zealand producers; and/ or
- Develop product assessment and comparison processes to ensure full consideration of aspects such as whole of life costs, appropriate quality and performance indicators and production support systems in the assessment of potential New Zealand suppliers.

(E): Ensure that where New Zealand suppliers are identified as capable of producing components for eligible goods, these suppliers are given the opportunity to tender for the work.

Ways in which New Zealand producers can be given the same opportunity as others to supply the project include the following:

- Tender documents made available to all possible suppliers at the same time and with reasonable time frames for a response;
- Structuring and assessing tenders from New Zealand and overseas suppliers on a similar basis;
- Keeping the cost of tender documentation as low as possible, in line with industry norms so as not to disadvantage New Zealand producers; and/ or
- When the procurement function is not undertaken in New Zealand, ensuring that opportunities are provided to New Zealand producers eg by not placing orders with overseas suppliers before expressions of interest or tenders from New Zealand producers were identified, requested and properly assessed.

(F): Employ procedures and resources to implement the above mentioned New Zealand involvement and communication strategies.

Such procedures might include the following:

- Adoption and implementation of a policy to maximise New Zealand industry participation;
- Adoption of a policy that all purchases will include consideration of possible New Zealand producers;
- Endorsement and communication of the NZIP Plan and principles throughout the project;
- Development and implementation of standard contractual arrangements with

suppliers to give New Zealand producers opportunities to participate;

- Provision of feedback to unsuccessful New Zealand producers to assist them in future opportunities;
- Systems to monitor the extent of New Zealand participation including systems to report variations to management; or
- Systems to identify inappropriate action under the NZIP Plan and to undertake corrective action.

Does the NZIP Plan address these criteria?

The following checklist can be a useful guide as to whether all relevant criteria have been addressed.

Project Criteria	N/A	Addressed?	Where?
B. New Zealand suppliers will have full, fair and reasonable opportunity to participate in the project.			<i>Identify location in material provided</i>
Strategies have been developed that will maximise New Zealand industry participation through all tiers of the supply chain.			
A communication strategy has been developed that will identify opportunities for New Zealand industry participation and ensure this information is communicated to New Zealand suppliers.			
Capable New Zealand suppliers have reasonable access to tender documents.			
The structure of tender documents does not limit the opportunity for New Zealand industry participation.			
Are the procedures and resources that will be employed to implement the above mentioned strategies clearly outlined?			

Part C Identification of opportunities for New Zealand producers

Project owners can address each criterion separately or provide a single response, which addresses the element as a whole. Some examples of ways of achieving these objectives are provided. These are intended as general guidance only and in no way should be perceived as all-inclusive or as the required actions.

Describe how the project proponent will endeavour to identify opportunities for New Zealand industry participation in established supply chains through:

(A): Facilitation of strategic partnering and consortia building.

Project owners may describe actions taken by them in any of the following areas:

- Encouraging consortia building, joint ventures or strategic partnering among local firms to build critical mass;
- Establishing joint ventures with local companies to enable them to access new technology or larger markets;
- Identifying local companies or agencies, which can introduce or facilitate partnerships between the project proponent and New Zealand suppliers;
- Encouraging collaborative R&D with New Zealand producers;
- Providing training and certification that enhances the ability of New Zealand suppliers to obtain additional business domestically and overseas;
- Arranging seminars to raise awareness of the benefits to New Zealand companies of entering into strategic alliances and how to enter into and manage such arrangements; or
- Encouraging overseas suppliers to use New Zealand offices to provide information to New Zealand industry about international procurement requirements, the types of goods, services and capabilities registered in their supplier databases, and the criteria by which vendors are assessed for inclusion in these databases.

(B): Supporting the integration of New Zealand industry into global supply chains.

Project owners may describe actions taken by them in any of the following areas:

- Ensuring that overseas suppliers are aware, before the request for tender stage, of New Zealand capability to produce key components;
- Accrediting suppliers to work in other regions, thus opening new markets;
- Providing training and certification that enhances the ability of New Zealand suppliers to obtain additional business domestically and overseas;
- Arranging discussions with procurement managers to brief them on the capabilities and past achievements of New Zealand suppliers;
- Bringing procurement managers to New Zealand to showcase New Zealand industry capability; and/ or
- Arranging for visits by suppliers to the project proponents' overseas facilities.

(C): Encouraging New Zealand suppliers to adopt world's best practice standards.

Project owners may describe actions taken by them in any of the following areas:

- Introducing New Zealand suppliers to other global companies, including the proponent's project owners and suppliers;
 - Undertaking a rigorous supplier audit and improvement initiative to benchmark and disseminate best practice;
 - Pre-qualifying and registering potential New Zealand suppliers to best practice standards;
 - Providing access to global knowledge networks of the project proponent;
- Undertaking technical consultations with potential suppliers to help them master new technologies;

- Offering potential suppliers access to internal training programs or provide in- plant training on improvements in technology or process management;
- Developing supplier scorecards to evaluate supplier performance and provide feedback to suppliers in respect of performance against critical dimensions; and/ or
- Transferring product and process technology, and organisational know-how to New Zealand producers.

(D) Arrangements that the project proponent, contractors and subcontractors have put in place to introduce world competitive New Zealand producers to established alliances.

Project owners may describe actions taken by them in any of the following areas:

- Assisting participation by New Zealand producers in local, regional or national trade fairs to build awareness of New Zealand capabilities
- Providing market ‘intelligence’ to local suppliers, including knowledge of international market and price trends, international and domestic market potential and sources of raw materials;
- Exposure of international procurement officers to New Zealand producers to increase their awareness of New Zealand industry; and/ or
- Support for overseas demonstrations of New Zealand industry capability.

Does the NZIP Plan address these criteria?

The following checklist can be a useful guide as to whether all relevant criteria have been addressed.

Project Criteria	N/A	Addressed?	Where?
C. Opportunities for New Zealand industry participation in established supply chains have been identified and encouraged			<i>Identify location in material provided</i>
The development of strategic partnering will be encouraged.			
The integration of New Zealand industry into global supply chains			
Adoption of world’s best practice will be encouraged.			
Ways to introduce New Zealand producers to established alliances have been identified.			

3. Reporting on implementation of the NZIP Plan

3.1 Introduction

At the end of a project, it is useful to be able to measure performance against NZIP plan – to demonstrate the amount of work placed locally into the economy. Such a report would need to focus on what has occurred as a result of the strategies outlined in the NZIP Plan.

The types of evidence supplied could include:

- Reports to the customer's Board and minutes of Board meetings;
- Relevant parts of tender documents;
- Correspondence with the ICN or other advisory bodies;
- Reports on any local industry participation plan; and
- Details of actual participation by New Zealand suppliers.

The Implementation Report should cover actual steps taken to comply with undertakings relevant to each of the three areas of the initial NZIP Plan – Economic Impact, Procurement Practices and Identification of Opportunities for New Zealand producers.

3.2 The Implementation Report

1. Economic impact of the project

The Implementation Report should detail any positive outcomes arising from the project, in terms of possible employment creation, any training or skills transfer to be provided, or any other economic developments considered to be relevant, where these have been outlined in the NZIP Plan and where this information is known at the time that the Implementation Report is completed.

For example the Implementation Report could:

- Specify the number of new, full-time equivalent jobs generated during the phases of the project including operation of the facility;
- Identify what types and grades of skills have been developed and how they were developed eg on-the-job training or through formal training with identified education providers and whether any formal qualifications were established;
- Describe any effect on significant macroeconomic indicators, eg. exports, import replacement and inputs to other industries;
- Describe new technologies that were transferred to, or developed in New Zealand, with the project.

2. Procurement Practices

The Implementation Report should document the actions and activities that have been undertaken to give full, fair and reasonable opportunity to include capable New Zealand producers in the project. The material should provide evidence such as the following that the strategies in the approved NZIP Plan have been implemented:

- Identify actions taken to give New Zealand companies, identified where possible, the opportunity to tender for the project, and provide details of feedback to unsuccessful tenderers;
- Correspondence and details of any arrangements with Government agencies, local

industry, relevant ICN offices and industry organisations to identify potential New Zealand suppliers and the capability to supply the project;

- Documentation of any obligation placed on contractors and sub-contractors to consider New Zealand suppliers;
- Attendance at and contents of any workshops that provided project-specific information on how to prepare bids against tenders, including, if relevant, becoming e-procurement ready, and identifying potential areas of import replacement;
- Details of tenders let including timing and copies of parts of tender documents requiring head contractors to implement the project developer's New Zealand industry participation policies, or requiring successful tenderers to adopt specified New Zealand industry participation strategies;
- Copies of any public announcements about the project and supply requirements eg press releases at project milestones or a website;
- Details of any feedback to unsuccessful local tenderers to encourage improved performance in future tenders.

The Implementation Report must also describe the processes adopted by project proponents that have given full, fair and reasonable opportunities to New Zealand producers to supply key components of functional units to the project and the outcome of these efforts.

3. Identification of Opportunities for New Zealand Industry

The Implementation Report should demonstrate how the project proponent has made a genuine attempt to promote New Zealand manufacturers of key components of functional units to global supply chains, and in a particular to major international suppliers to the project (where the functional unit itself is not produced in New Zealand).

- Details of any consortia, joint ventures or strategic partnerships established or expected to be established among local firms to build critical mass;
- Identifying local companies or agencies that could introduce or facilitate partnerships between the project proponent and New Zealand suppliers;
- Details of any trade missions to major overseas suppliers, support for overseas demonstrations of New Zealand industry capability, or incoming trade missions to promote New Zealand capability;
- Details of any workshops, seminars or other initiatives to raise awareness amongst overseas suppliers of the benefits to New Zealand companies of entering into strategic alliances and how to enter into and manage such arrangements; or
- Details of any arrangements to pre-qualify and register potential New Zealand suppliers to best practice standards; and
- Details of training to potential suppliers to improve technologies or process management.

4.	Short Form Sample Clauses for Contracts
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Sample Clauses for Procurement Contracts

Example One:

Procurement Methodology – Private Industry Model (i.e. Prime or Main Contractors)

The (Project Name) presents a valuable opportunity for New Zealand and Australian (Local) suppliers of goods and services; it is believed that a reasonable level of Local content can be achieved without detrimental effect on the project CAPEX or schedule.

Potential suppliers shall be invited to participate in preliminary RFQ's. Companies selected from (The Prime) approved supplier list, together with companies provided by the New Zealand Industrial Capability Network (ICN) (and any other organization the Prime is teaming with – Clusters, Consortiums, Associations, etc) plus knowledge of the Project team.

It is the intention to assess the information/quotations provided at the RFQ stage, on a case by case basis, to determine whether, to "short-list" a number of responsive suppliers for further development during the final Project Design, Construct & Commission Stage, or to reissue the RFQ for re-quotations. This will **not**, however, preclude the consideration of additional potential suppliers, who may not have been known to us at the earlier stages of the Project, or due to continued design development, now have suitable equipment/materials to offer.

Where Local suppliers and International suppliers are competing, each supplier will be subject to the same critical evaluation and consideration and neither will be advantaged nor disadvantaged by their locality. The goods or services being purchased **may not** however be awarded to a prospective supplier offering the lowest price. Purchase orders will be awarded to suppliers who can offer "Best Value for Money on a Whole of Life Basis". Value for money is achieved when the most appropriate solution is selected to meet technical specifications and all project objectives.

Example Two:

Local Industry Participation Plan (IPP) Government Departments (used by MOD)

Voluntary Involvement of Local Industry

The Crown's procurement policy with respect to the voluntary involvement of local industry is stated in the Government Procurement in New Zealand Policy Guide for Purchasers available at www.med.govt.nz. Preferred Respondents, selected from this ITR, will be invited to identify, in their responses to the RFP/BAFO, any activities that have been undertaken by them to afford local industry full and fair opportunity to compete for involvement in (Project XYZ). Any resulting local industry involvement will not be a condition for awarding the contract (which will be on the basis of best value for money over whole of life), but may be written into the final contract.

ICN Brief (*introductory notes*)

The Focus of the ICN is to assist Government Agencies and major New Zealand and Australian projects identify local industry with the capability to meet their procurement requirements.

Involvement of the ICN accelerates the identification of suitable companies while ensuring the widest possible search locally – this can result in savings in time, money, manpower and the potential for an improved local solution with in-place through-life support.

To ensure impartiality the ICN does not get involved in commercial aspects of the procurement process and all decisions are the sole responsibility of the purchaser.

As a result of the ICN involvement local industry gain full and fair opportunity to compete for opportunities in the face of real competition from overseas suppliers. Success for local industry over overseas alternatives generates benefits for New Zealand's economic development through retention/creation of skills and jobs, reduced overseas debt, reduced welfare payments and increased tax revenue.

Example Three:

Wording for inclusion in the Tender documents

Local Industry Participation Plan (IPP) - New Zealand Model

[Project Owner (SOE, Crown Entity or Private Company)] recognises the benefits to itself and the New Zealand economy of maximising the use of local content within its purchases. [Project Owner] supports the Government Procurement Policy and IPP requirement of offering full, fair and reasonable opportunity to competitive local industry. Bidders are therefore required to demonstrate they have tested the local market, and where suitable capability exists, that they have offered full, fair and reasonable opportunity to local industry to become involved in this project.

The Industry Capability Network (ICN) provides assistance with IPPs programme within New Zealand and [Project Owner] encourages Interested Parties to work with the Industry Capability Network (ICN) to identify competitive local industry and to maximise import replacement opportunities for this project. ICN contact details relating to this project are:

For inclusion in the introductory notes

Provision of matching services between major project procurement needs and capable local industry:

The Industry Capability Network (ICN) provides a free matching service to major projects and government procurement staff to help maximise their engagement with capable local industry. The role of the ICN is to:

- (a) Identify competitive local suppliers that meet the purchasing needs of major projects, in those areas where there is competition from imported products or services.
- (b) Facilitate contact and exchange of information between major project purchasers and local industry.
- (c) Have a thorough knowledge of the current and potential capability of New Zealand industry.
- (d) Maintain an extensive New Zealand industry capability database and through its links with the Australian ICN offices provide purchasers with assistance in identifying suppliers from both New Zealand and Australia, evaluating their capability and suggesting those suitable.

The ICN does not, however, have responsibility for supplier selection, or any role in purchasing negotiations or decisions.

Benefits: Major project purchasers can benefit from utilising ICN's, free of charge, services to research and seek out and pre-qualify competitive potential local suppliers. This will improve engagement with local industry and help minimise the time and resources spent in supplier searches. Engagement with capable local companies can lead to cost saving within this project, long term supply relationships, capability development and technology transfers that benefit

Useful Websites

Industry Capability Network	www.icn.govt.nz
New Zealand Trade & Enterprise	www.nzte.govt.nz
Ministry of Economic Development	www.med.govt.nz
Foundation for Research, Science & Technology	http://www.frst.govt.nz
Investment New Zealand	www.investmentnz.govt.nz
Business New Zealand	www.business.govt.nz
Council of Trade Unions	www.union.org.nz