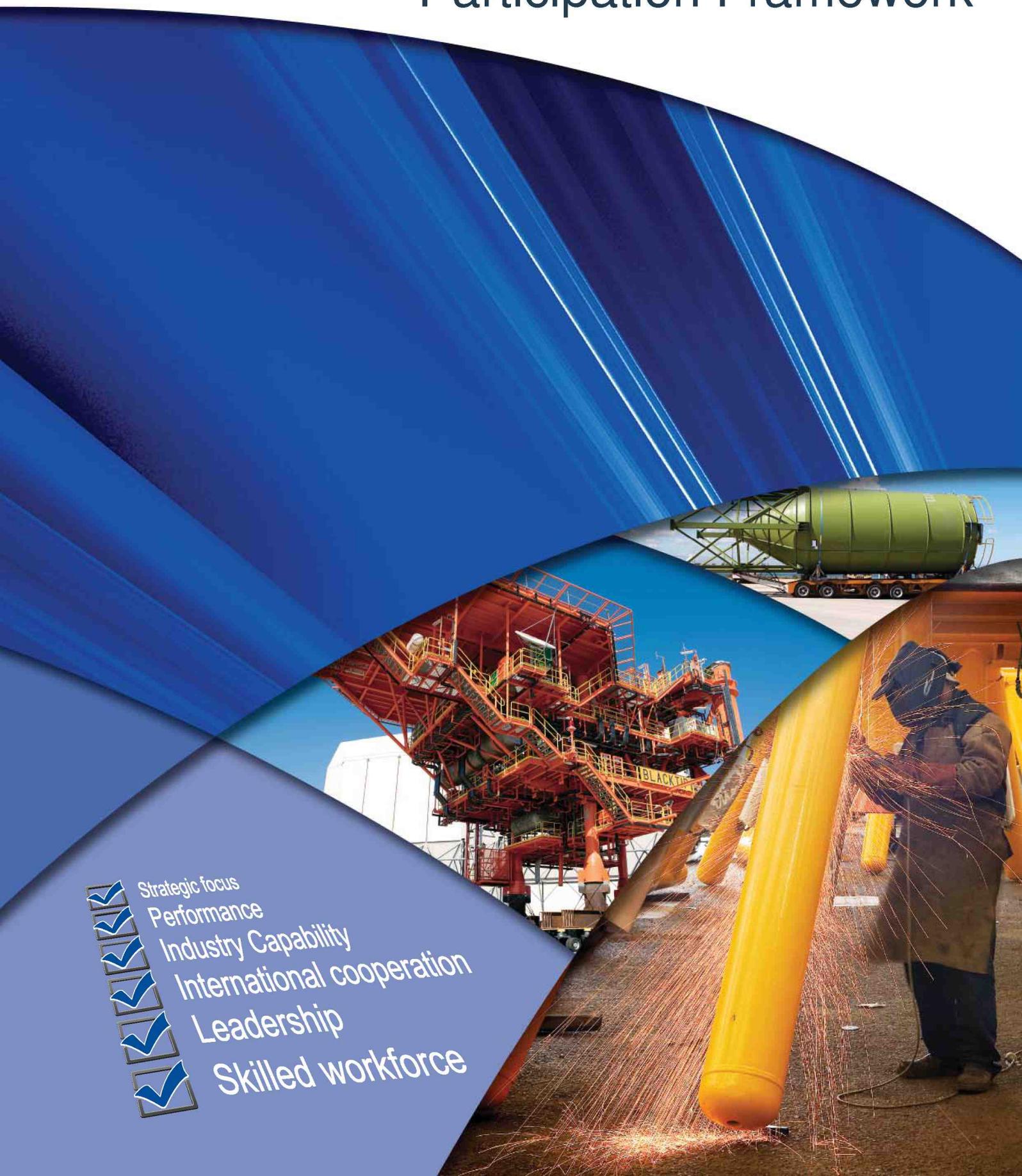




Government of **Western Australia**
Department of **Commerce**

Western Australian Government Local Industry Participation Framework

- 
- ✓ Strategic focus
 - ✓ Performance
 - ✓ Industry Capability
 - ✓ International cooperation
 - ✓ Leadership
 - ✓ Skilled workforce



“ The Western Australian Government’s approach to local industry participation will ensure local industry receives full, fair and reasonable opportunity to participate in major resource projects taking place throughout the State. ”

Hon Colin Barnett
Premier of Western Australia



Local Industry Participation



Hon Colin Barnett MEd MLA
Premier; Minister for
State Development

The Western Australian Government acknowledges that the local market to supply goods and services to major resource projects has become more competitive and complex. In November 2010, a review of the operation of the State Government's existing policy was announced. Since then, the Government has been engaged in extensive consultation with stakeholders on the need for a new approach. This consultation has resulted in the development of a set of improvements designed to maintain the flow of benefits from mineral and energy projects to the Western Australian economy and community.



Hon Simon O'Brien MLC
Minister for Finance;
Commerce; Small Business

Industry participation challenges

The challenges faced by local suppliers vary widely. Coastal projects are more likely to ship in large modules, while inland developments tend to use traditional construction methods more suited to local industry. This is why local content levels in oil and gas have fallen more than in iron ore projects.

Communication is essential to identify new and emerging opportunities where Western Australian industry can be competitive. This requires an understanding of international trends in technology, business models and procurement.

Local participation success stories

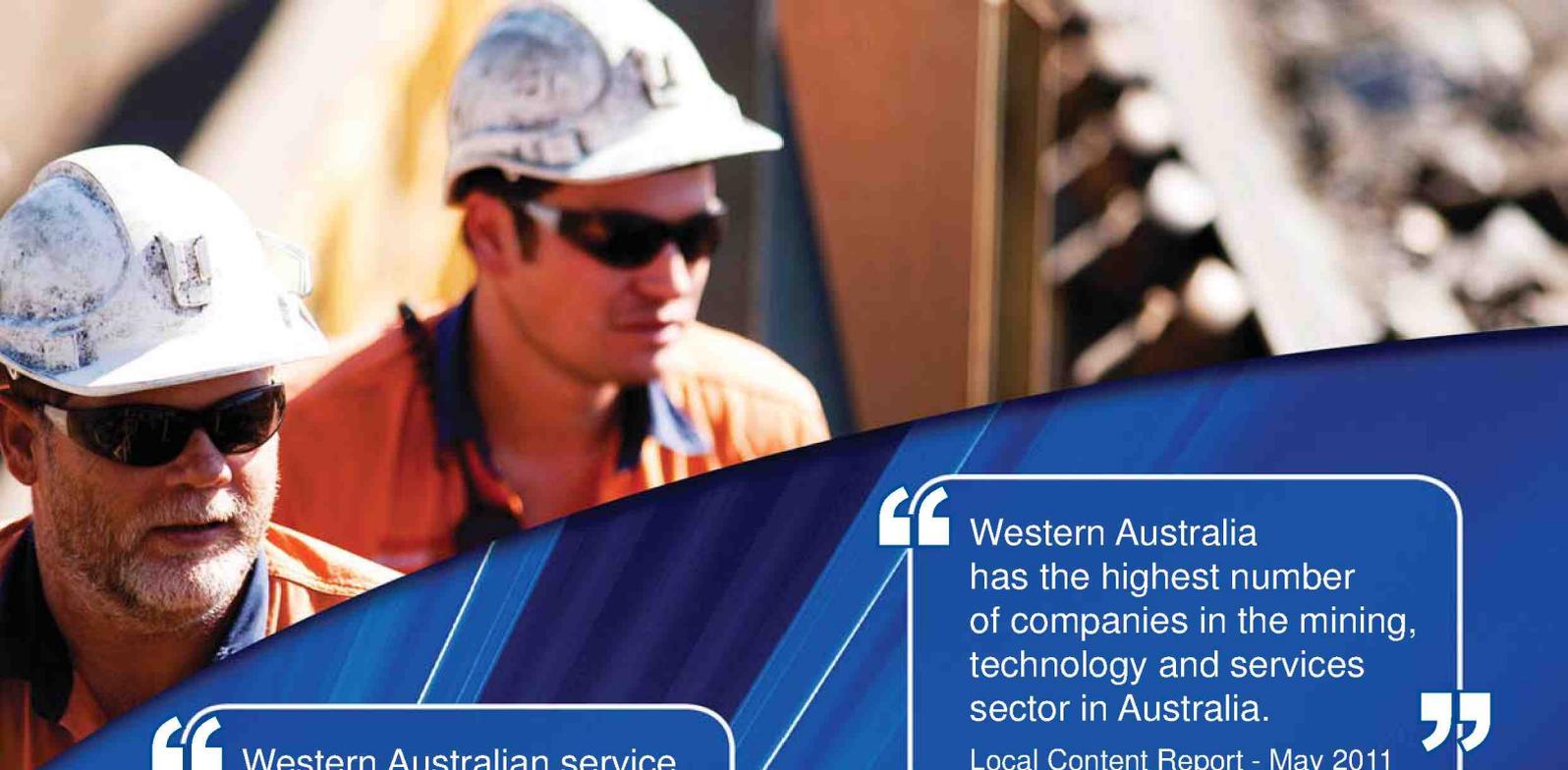
Data from large projects indicate levels of local sourcing as high as 85 per cent to 90 per cent of project budgets. Currently, some highly specialised contracts for products and services are unavailable in Western Australia and must be sourced interstate or overseas.

Reports in 2010 show that 86 per cent of operational expenditure and 53 per cent of construction spending by project proponents was awarded locally.

Western Australian suppliers have diverse skills and capabilities, supporting resource projects in every phase of development. Our companies are internationally acclaimed for their expertise in project management, exploration software, logistics, specialised subsea engineering, occupational health and safety, workforce development and training and flexible manufacturing.

The ability to successfully supply to world class, State-based mineral and energy projects has provided many Western Australian service and supply companies with a platform to secure overseas contracts.

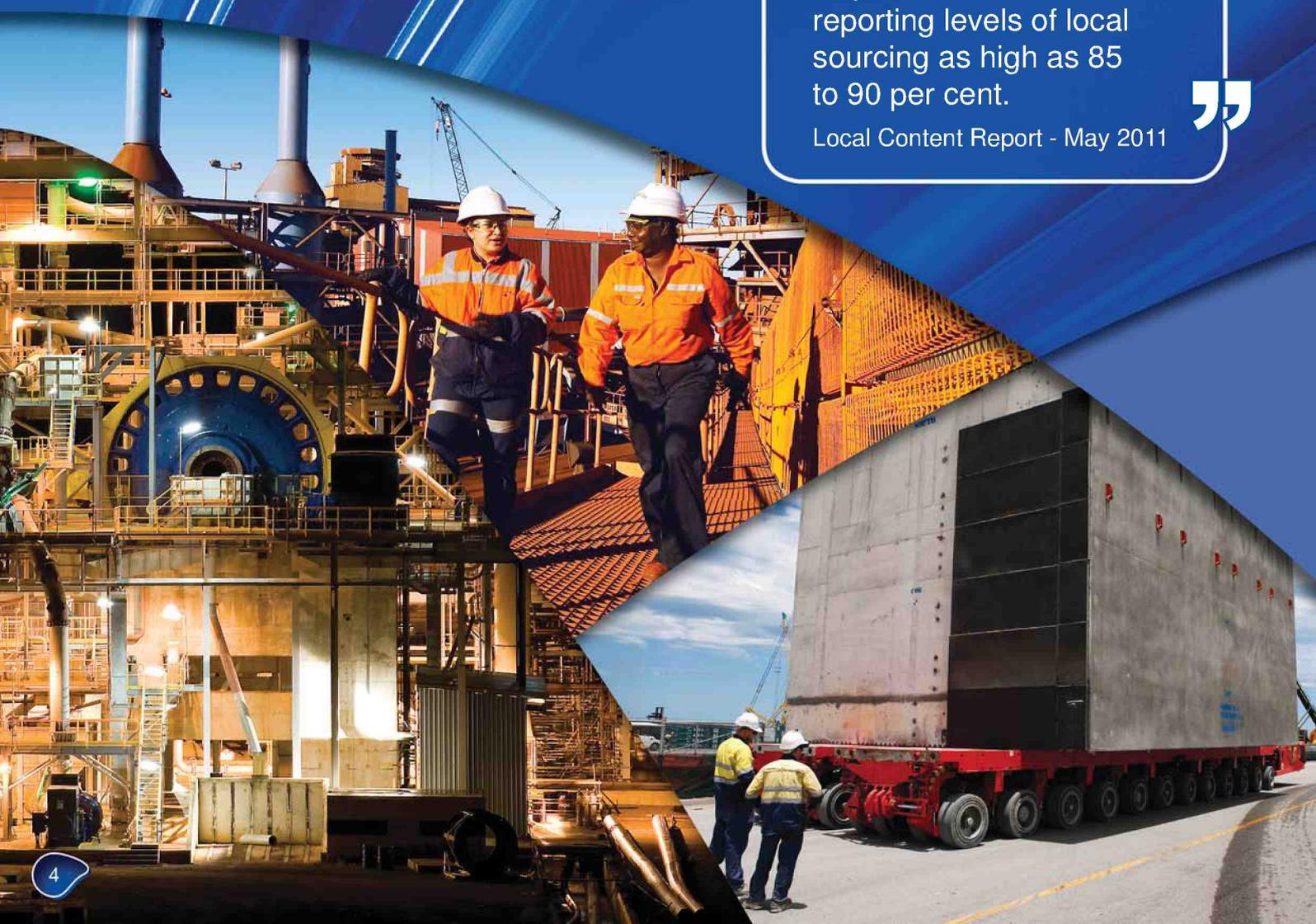
Research by the Australian Bureau of Agriculture and Resource Economics and Science found that Western Australia has the highest number of companies in the mining, technology and services sector in Australia, with 320 companies representing more than 30 per cent of the total.



“ Western Australian service and supply companies have the skills and capabilities to support resource projects in every phase of development.
Local Content Report - May 2011 ”

“ Western Australia has the highest number of companies in the mining, technology and services sector in Australia.
Local Content Report - May 2011 ”

“ Many proponents of major resource projects under way in the State are reporting levels of local sourcing as high as 85 to 90 per cent.
Local Content Report - May 2011 ”





Framework for the future

The State Government is committed to the principle of full, fair and reasonable opportunity for competitive local suppliers to participate in Western Australia's resource projects. With this commitment, the Government has developed a new approach to industry participation.

1 Strategic focus

The State Government intends to work with selected energy and mineral companies to improve its appreciation of international business and procurement trends impacting on the Western Australian economy. This will allow for improved decision making by both the State Government and manufacturing and service suppliers.

2 Supplier performance

The State Government will engage with project proponents and suppliers to facilitate an improved understanding on the relative competitive performance of Western Australia's manufacturing and service industries, and to develop a shared vision of current and future growth opportunities. The potential to improve supplier productivity will also be examined.

3 Definition of local benefit

A broader approach to the identification of benefits accruing to Western Australia is required. The Government intends to expand the reporting of such benefits in terms of research and development, regional initiatives, indigenous programs, community support, facilitation of technology transfer and joint ventures, training and skill initiatives, and the encouragement of local suppliers into international markets.

The number of projects covered by reporting requirements will also be increased.

This will allow the State Government and the community to be better informed on the overall stimulus received from such projects.





Our companies are internationally acclaimed for their expertise.



Local Content Report - May 2011

4 Strategic projects

It is recognised that priority projects exhibiting characteristics such as high value and significant levels of contestable content require greater attention in terms of the proponents' approach to local content and anticipated outcomes.

For these projects there will be an emphasis on the use of Industry Participation Plans, with these plans giving greater focus to procurement methodology and the reporting of outcomes.

5 Industry Capability Network WA (ICNWA)

ICNWA is a specialist Western Australian and Australian vendor identification service provided as a joint industry-government initiative. It is designed to enhance the global competitiveness of purchasers and their projects, while at the same time supporting local industry participation. The ICNWA links project proponents and public sector agencies with local companies that can provide appropriate goods and services to meet the project's technical, quality and commercial requirements.

The Chamber of Commerce and Industry Western Australia currently operates the ICNWA, however, the State Government has commenced renegotiations for the 2011-12 contract and business plan for the provision of this service. The aim is to realign activity to ensure that the ICNWA provides greater strategic input to the State Government on market trends and supplier performance. The network will be required to take a more active role in identifying and resolving supplier complaints.

6 Local Industry Participation Unit

The Local Industry Participation Unit within the Department of Commerce will have a strengthened role. It will be charged with ensuring local industry receives full, fair and reasonable opportunity to supply. As such, it will work closely with ICNWA to monitor the implementation of Industry Participation Plans, promote improved communication between project proponents and suppliers, and consider supplier performance issues. It will also report to Government on future growth opportunities and act as a liaison point with the Commonwealth Government.

7 Commonwealth Government

The State Government believes the Commonwealth should take a more active role in the promotion of Australian industry participation in major resource projects. Premier Colin Barnett has already communicated to the Prime Minister on a range of options covering areas such as training and skilled migration, assistance to small to medium sized enterprises, pursuit of opportunities for Australian companies in global supply chains, and greater cooperation in terms of the use of Industry Participation Plans as a policy tool.





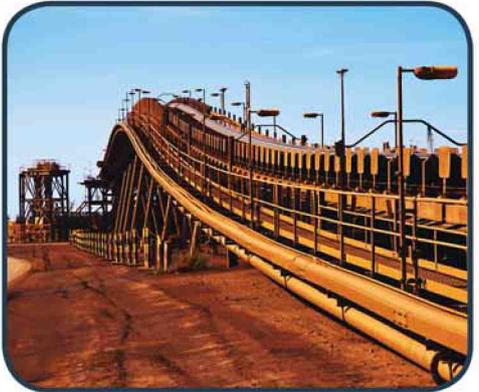
8 International cooperation

The State Government considers there are opportunities for collaboration between the State and its major investment and trading partners on the issue of local industry participation. Western Australia will be working with countries such as China, Korea and Japan to identify areas of supply where companies can jointly pursue opportunities in both the local and overseas markets.

9 Leadership

The State Government places the highest priority on the continuation of local industry involvement in major project development, construction and operation as part of an attractive investment business environment.

Any mandating of local participation is artificial and inefficient and the Government accepts market forces as the determinant of viability.



As such, the State Government will emphasise to resource project proponents that full, fair and reasonable opportunity to participate local industry can only result in either a successful supplier arrangement or a reasonable explanation by the proponent as to why this outcome is not feasible.

10 Skilled workforce

In December 2010, the State Government announced a comprehensive overhaul to the planning of workforce requirements, application of training resources, and support for the attraction and retention of skilled migrants. This area will be monitored for effectiveness and further adjustments will occur as required.



Our commitment to industry

For several years it has been evident that a series of long term trends indicate a fall in local content levels in some resource projects. The State Government accepts the challenges the market is presenting to Western Australian suppliers and through the above initiatives will seek to maintain the level of benefits derived from use of Western Australia's mineral and energy assets. It is fully recognised that the State operates in a global environment where change can be rapid and major. Therefore, there will be a continuing awareness of the need by the State Government to review and revise policy application. The framework outlined in this document is a demonstration of the State Government's commitment to ensure Western Australian businesses have the greatest possible opportunities to be part of what is arguably the most exciting period of sustained growth in the State's history.



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