

# INDIGENOUS PROCUREMENT POLICY

## Implementation Information Sheet for potential suppliers to Defence

This Information Sheet provides an overview of useful information and reference material associated with the activities and initiatives of the Department of Defence in implementing the Indigenous Procurement Policy effective 1 July 2015 and some tips in relation to Defence procurement and contracting. This Information Sheet is current as of publication and serves only as a guide and is not intended to replace the defined process and procedures established by the Commonwealth and Defence legislation and policy, including but not limited to the Commonwealth Procurement Rules, the Defence Procurement and Policy Manual (DPPM) and the Public Governance, Performance and Accountability (PGPA) Act.

### POLICIES & PROCUREMENT RULES

#### **Indigenous Procurement Policy (IPP)**

The IPP is a Commonwealth wide policy that must be considered by officials when undertaking procurement. The purpose of the IPP is to promote employment and training opportunities for Indigenous Australians. The policy has three parts:

1. A target number of contracts that need to be awarded to Indigenous businesses.
2. A Mandatory Set-Aside (MSA) of contracts for Indigenous businesses to apply in certain situations.
  - a) all Remote Procurements (regardless of value); and
  - b) all other new domestic procurements where the estimated value of the procurement is from \$80,000 to \$200,000 (GST Inc.)
3. Mandatory Minimum Requirements (MMRs) for Indigenous participation to apply to all new contracts delivered in Australia valued at \$7.5 million (GST Inc.) or more, where the majority of the goods or services are in the building, construction and maintenance services or other specified industries as outlined in Part 4 of the Policy.

#### **Commonwealth Procurement Rules (CPRs)**

The CPRs are the basic rules that Commonwealth Agencies must follow when procuring goods and services.

Achieving value for money is the core rule of the CPRs. In addition, the CPRs contain requirements including that tenderers are to demonstrate the capability to meet **applicable standards** and **relevant regulations and regulatory frameworks** as well as details of the **economic benefit** of the procurement to the Australian economy.

The CPRs contain procurement thresholds that determine the method by which goods and services are procured. These thresholds are \$80,000 for all non-construction related goods and services and \$7.5 million for construction services. Any procurement above these thresholds must be undertaken via an open tender process unless the procurement is exempt in accordance with a specific exemption contained in Appendix A of the CPRs, or is subject to a specific condition for a limited tender process detailed at clause 10.3 of the CPRs. Additionally, CPR Appendix A Exemption 17 allows the procurement of goods and services from a Small to Medium Enterprise (SME) with at least 50% Indigenous ownership.

### THE MARKETPLACE

#### **Indigenous Suppliers List**

The Department of the Prime Minister and Cabinet (PM&C) engaged Supply Nation to develop and maintain the Indigenous Business Directory (IBD). The Directory contains a list of Indigenous enterprises that meet the IPP definition of a small to medium enterprise with at least 50 per cent Indigenous ownership. The IBD is the first point of call for all Commonwealth officers to check whether an Indigenous enterprise can deliver the goods or services on a Value for money basis, before making any other approach to the market. The IBD is equally valuable as a resource for any procurement professional or buyer.

To satisfy the IPP MSA, the procuring officer must:

1. Conduct a search for a suitable Indigenous supplier on Supply Nation's Indigenous Business Direct listing; and
2. Document the outcomes of that search, including whether the resulting contract was awarded to an Indigenous supplier.

The obligations of the MSA are considered to have been met if the procuring officer has conducted a search of the Supply Nation IBD database. However, the procuring officer may elect to satisfy the MSA by contracting with an Indigenous supplier that is not registered with Supply Nation. In these instances, the procuring officer must satisfy themselves that the enterprise is at least 50 per cent Indigenous owned.

#### **Procurement Opportunities**

The Government's centralised web-based procurement information system, AusTender, provides a one-stop shop for the information businesses need to find, plan for and participate in open tenders. Businesses seeking opportunities to sell to Government should register on AusTender for notification of business opportunities and planned procurements that match their business profile. Businesses can register on AusTender at <https://www.tenders.gov.au/>

### INDIGENOUS PROCUREMENT

#### **Engaging with Defence**

Defence is one of the largest procurement agencies in the Commonwealth and is responsible for some of Australia's most complex procurement activities. Defence engages with industry to deliver value for money procurement outcomes in order to support departmental and Australian Defence Force capability. Working with Defence can be complex and the Defence market can be difficult and costly to enter.

For example, to work with Defence, companies often need an appropriate quality assurance program (e.g. [ISO9001 certification](#)) and a history of supply performance (on schedule, on budget and to specifications). Most opportunities are in the supply chains of prime contractors rather than supplying to Defence directly.

The Centre for Defence Industry Capability (CDIC) has been set up to help businesses improve their capabilities and pursue opportunities within the defence market. Visit the CDIC website for information about the defence market, and the program's advisory and facilitation services, and grants to businesses:

[www.business.gov.au/Centre-for-Defence-Industry-Capability/New-to-Defence](http://www.business.gov.au/Centre-for-Defence-Industry-Capability/New-to-Defence)

Inquiries to CDIC can be sent to [cdic@industry.gov.au](mailto:cdic@industry.gov.au)

#### **Procurement & tendering**

When your business is ready to tender for Defence contracts, navigating the tender process may appear daunting. Here are some tips on how to approach the preparation of a tender response.

- **Do the research first** - a tender is an invitation to competing bidders to submit their proposed solution to a specified business need. The project will be awarded to the bidder who can provide the best value for money. **It is important to remember that price is only one factor.**

- **Address all the criteria** – it is important that you address the tender criteria clearly and concisely and provide supporting evidence if available.
- **Review before submission** – ensure that your tender response is complete, clear and lacking in errors.
- **Submit your tender before the tender closing time** – allow sufficient time for the up-load of your tender response on AusTender.

If your tenders are good as they can be, there is a better chance that you'll win the business, but make sure that you are able to deliver the required services.

Some insights and/or suggestions to improve your procurement and tendering activities are provided below:

- update and maintain capability information on the Supply Nation Indigenous Business Direct (IBD) web site;
- create an AusTender account and routinely receive notifications of new opportunities in your industry sector which include panels that are being refreshed;
- check the Defence Annual Procurement Plan (APP) posted on AusTender for potential upcoming open tenders over \$1M;
- routinely check AusTender [www.tenders.gov.au](http://www.tenders.gov.au) for upcoming open tenders including establishment of new Panels;
- make your business competitive by establishing a track record of submitting tenders/proposals that meet required specifications and provide a strong value for money outcome for the Commonwealth, including provision of an 'alternative proposal' if they think this meets the scope of work;
- get familiar with the Public Governance, Performance and Accountability Act 2013 (PGPA Act) which will provide Indigenous enterprises an understanding of Commonwealth officers' responsibilities and accountabilities when spending public resources;
- get familiar with the Commonwealth Procurement Rules (CPRs) and the Defence Procurement Policy Manual (DPPM) which are the core of the Government's procurement framework;
- use the AusTender Reporting functionality to search and find out what Commonwealth agencies are purchasing, how often and how long those contract terms are which may provide an indication of possible new tenders being advertised and, also useful for identifying which companies are likely to represent the "prime" contractors within Defence;
- networking and making independent approaches to 'prime' contractor companies by marketing your services and potentially increasing your sub-contracting opportunities;
- joining the Australian Industry & Defence Network Inc. (AIDN) and using resources such as the bi-annually published Australian Defence Magazine (ADM) book which contains a directory of Defence Suppliers by categories, with key contacts for companies and detailed capability information;
- routinely check the Supply Nation web site and other media for upcoming events being run by Commonwealth agencies.

### Procurement Templates

The two primary templates used by Defence when undertaking procurement is the Commonwealth Contracting Suite (CCS) and the Defence ASDEFCON suite of templates.

The CCS is an online interactive suite of smart forms designed to assist procurement officials prepare procurement documentation for Commonwealth procurement valued under \$1 million. The CCS, which has been developed and is maintained by the Department of Finance, reflects Government policy to streamline business between the public

and private sector and has standard terms and conditions to ensure consistency and ease of use.

The CCS is mandatory for use by non-corporate Commonwealth entities (NCE) like Defence for procurements under \$200,000 except for some specific circumstances as detailed in Resource Management Guide No. 420. Potential suppliers to Defence are encouraged to read the CCS templates to gain a better understanding of their use. The CCS is available at:

<http://www.finance.gov.au/procurement/commonwealth-contracting-suite/>

The Defence ASDEFCON suite of procurement templates is also available for potential Defence tenderers to read and understand. The ASDEFCON suite of templates is available at:

<http://www.defence.gov.au/casg/DoingBusiness/ProcurementDefence/ContractingWithDefence/PoliciesGuidelinesTemplates/ContractingTemplates/asdefcon.aspx>

### Value for Money (VfM) Assessment

Government officials responsible for procuring goods and services must ensure that their procurement activities encourage competition and use *public resources* in an efficient, effective, economical and ethical manner. Achieving value for money is the core rule of the CPRs. This requires consideration of the financial and non-financial benefits associated with the procurement and not just the cheapest price offered.

The following factors inform a value for money assessment:

- fitness for purpose
- the performance history and experience of potential suppliers
- flexibility (including innovation and adaptability over the lifecycle of the procurement)
- environmental sustainability (such as energy efficiency and environmental impact)
- whole-of-life costs

### INITIATIVES & LINKS

#### Indigenous Business Sector Strategy

The IBSS proposes a 10 year Strategy which aims to improve access to finance and business support, improve networks and connections and provide better information and data on/for the Indigenous business sector. Refer IPP: <http://www.dpmc.gov.au/ipp/> to find out more on IBSS developments. It is recommended that businesses contact PM&C to learn more about the 'Indigenous Business Sector Strategy (IBSS) – Supercharging Indigenous Business Start-up and Growth'.

#### Indigenous Business Australia (IBA)

The IBA's services includes a Business Advisory Service, which may assist businesses to identify market opportunities, business planning, considering viability and connecting businesses to other capital and specialist support services. Further information on the support services that IBA offers is available here: <http://www.iba.gov.au/business/>

#### Useful Links

- PM&C IPP: <http://www.dpmc.gov.au/ipp/>
- Indigenous Business Australia (IBA): <http://www.iba.gov.au/business/>
- CPRs: <http://finance.gov.au/procurement/procurement-policy-andguidance/commonwealth-procurement-rules/>
- DPPM: <http://drnet/DMO/PP/ProcurementPolicy/DPPM/Pages/DPPM.aspx>
- PGPA ACT: <http://www.finance.gov.au/resource-management/pgpa-act/>
- Supply Nation: <http://www.supplynation.org.au/>
- AusTender: <https://www.tenders.gov.au>

**Contact Defence on indigenous procurement policy issues by email to:** [indigenous.procurement@defence.gov.au](mailto:indigenous.procurement@defence.gov.au)