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Press Release: Barriers to competition and efficiency in the procurement of Public Private Partnerships

Infrastructure Australia engaged KPMG to help identify and find practical solutions to the most significant barriers to competition and efficiency in the procurement of PPPs.

This review responded to criticism that bid costs in Australia are excessive, it takes too long to award contracts, and that new local and overseas entrants face barriers to entering the Australian PPP market.

KPMG found that bid costs for PPP contracts are significant – often running into tens of millions of dollars. However, PPP contracts are complex transactions and, particularly in Australia, the projects are often very large – usually larger than in comparable overseas countries. Bid costs in Australia are, on average, around 25-45% higher than in Canada for similarly sized projects, but significantly lower than in the United Kingdom – the two most comparable countries.

KPMG also found that the time to procure a PPP contract in Australia is 17 months on average, compared with 16 months in Canada and 34 months in the UK.

KPMG found that the biggest barrier to new entrants to the PPP market is the relatively small number of PPP projects in Australia in comparison with Canada and the UK. This situation can deter new entrants from establishing the capability to go head to head with the existing highly competitive field of bidders.

This review was one of the first of its kind to compare procurement processes internationally and it has come up with some surprises. Notwithstanding the relatively positive findings for the Australian processes, there is room for improvement.

The Australian, State and Territory Governments are now developing a plan of action to respond to the findings and recommendations in the KPMG report. This plan will be publicly released shortly.

The KPMG report is available now on the Infrastructure Australia website at <http://www.infrastructureaustralia.gov.au/barriers.aspx>

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