

Reforming public construction



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Investing for growth

Investing in new infrastructure plays a vital role in the Victorian economy, lifting productivity, boosting economic growth and improving the standard of living for Victorians.

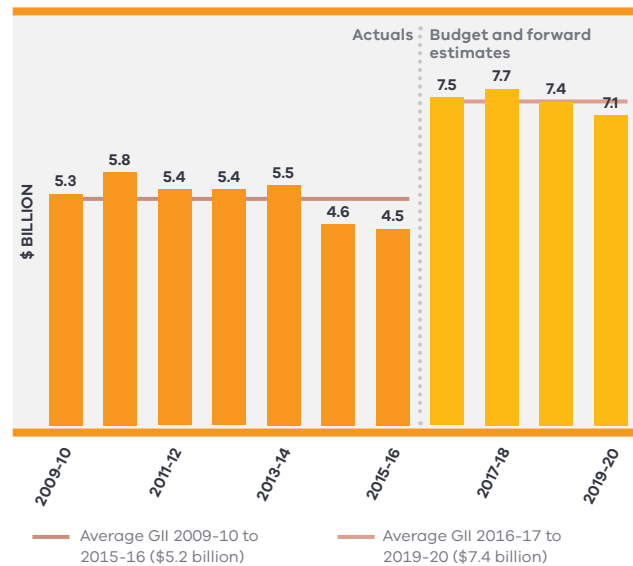
Victoria's infrastructure investment is substantially increasing, growing from an average of \$5.2 billion per year over the previous 7 years, to around \$7.4 billion per year from 2016-17 onwards (Figure 1).

For Victoria to capitalise on this increased investment and to remain nationally and globally competitive, it is critical that the delivery of infrastructure projects is well targeted and efficient.

To support the efficient delivery of this unprecedented infrastructure pipeline, the Government is reviewing its framework for construction procurement.

The Government is committed to ensuring open and fair tender processes, and to improving and simplifying industry participation in government procurement.

FIGURE 1: GOVERNMENT INFRASTRUCTURE INVESTMENT



Source: Department of Treasury and Finance, 2016-17 Budget Overview

Reforming procurement

Victoria is reforming construction procurement to secure an innovative and responsive framework.

The quality of government procurement processes has a direct impact on the cost of delivering infrastructure. Given the scale of Victoria's infrastructure pipeline, even small improvements can deliver significant efficiencies for government and industry.

The Government is committed to reducing unnecessary time and cost in construction procurement and providing a fair, transparent and openly competitive environment for government work.

The procurement reforms will build on and complement two important election commitments recently delivered; the establishment of Infrastructure Victoria and the Office of Projects Victoria. These bodies are transforming the way infrastructure projects are prioritised and delivered in Victoria.



Industry is a vital partner

The private sector is a vital partner in delivering world class infrastructure in Victoria.

Industry often raises concerns with government about the efficiency and effectiveness of infrastructure procurement processes. This open dialogue is critical to informing the Government on contemporary and innovative practice.

The Government is listening. Consultation with a broad cross-section of stakeholders involved in Victorian infrastructure delivery, including contractors, industry peak bodies, and key Government departments, identified a number of reform opportunities across three broad areas:

- greater standardisation of procurement processes across government;
- reducing unnecessary time and costs to industry in tender processes; and
- improving government capability and planning in construction procurement.

The Government is exploring the best way to make these improvements to the state's infrastructure procurement.

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WEST ELEVATION



NORTH ELEVATION



Greater standardisation in procurement

The Government is taking steps to explore ways to make construction procurement processes more consistent across government to encourage greater participation and reduce transaction costs.

Standardisation can reduce the time and cost in procurement, however procurement processes need to be tailored to suit the size, risk and complexity of the project.

The following opportunities have been identified:

Standardising legal and commercial contracts

The Government will examine ways to apply consistent legal and commercial terms and conditions in contracts to increase speed to market and reduce contract review administration costs.

Standardising risk allocation in contracts

The Government will examine ways to increase consistency in risk allocation to better reflect standard risk management principles by assigning risk to the party most efficiently placed to manage it.

Standardising probity requirements

Industry suggests that government departments and agencies sometimes apply probity principles inconsistently, which can deter industry participation.

The Government will review probity requirements to improve consistency in application, and to give the market greater confidence that bid evaluations are fair and equal.

Improving industry understanding of the Construction Supplier Register (CSR)

Feedback indicates that the function and application of the CSR by government is not always consistent, and could be more transparent to the market.

The Government will review the CSR to improve its function and better support industry understanding of how it is used by departments and agencies.

Reducing unnecessary time and cost

The Government will explore ways to streamline and simplify requirements to reduce unnecessary time and costs spent on tendering processes.

Areas for improvement include better planning, management and clearer tendering rules.

The following opportunities have been identified to reduce transaction costs for bidders, and will be considered as part of the broader review of government tendering processes:

Reducing unnecessary information requirements in EOIs and RFPs

There have been occasions where the same information is requested at both expression of interest (EOI) stage and request for proposals (RFPs) stage, duplicating time and effort, and increasing cost to industry.

The Government will explore options to consolidate and simplify information requirements where appropriate, including examining what information is necessary at key procurement stages.

Speeding up the selection of a preferred bidder

The Government will look at mechanisms to speed up the selection of a preferred bidder where possible, by promoting stricter adherence to timelines and deviating only when there is clear reason to do so.

Avoiding late addenda

Industry is sometimes asked to price multiple addenda or addenda containing significant changes during the tender period, which increases cost.

The Government will review its planning and procurement processes to ensure tender documents are appropriately finalised prior to going to market.

Avoiding pricing of multiple options

Feedback indicates that industry considers it is occasionally used as a 'pricing service' when pricing multiple project scopes and designs.

The Government will review current practices to promote better project planning and capture clearer project objectives prior to going to market.

Increasing the use of bills of quantities

The Government will explore options to encourage the use of bills of quantities where appropriate, to provide more accurate information to the market.

Reimbursement of bid costs

The Government will consider reimbursement of bid costs for complex public construction projects where appropriate, to recognise the significant administrative cost associated with tendering.

Appropriate tender field sizes

Unnecessarily large tender fields can tie up bidder resources and discourage them from effectively participating in procurement opportunities.

The Government will examine ways to encourage the use of meaningful and appropriately sized tender fields to maintain effective competition, but not overuse the market.

Publishing price order of bids

The Government will explore options to publish the price order of bids following tender close, to improve transparency, and allow lower ranked bidders to redirect resources to alternative opportunities earlier and quicker.

Reducing unnecessary time and cost, continued

Avoiding delays in the tender process

The Government will explore ways to improve rigour and planning in tendering processes, to avoid unnecessary delays and constraints on industry.

Ensuring the design is consistent with the contract

Industry has noted instances where the level of completeness and quality of the design at the time the government approaches the market is often not well-aligned with the Government's preferred procurement method.

The Government will explore the possibility of outlining appropriate design standards in tender documents to provide greater certainty for industry.



Improving government capability and planning

Harnessing procurement and project management skills within government is key to developing and maintaining efficient procurement processes and successful project delivery.

The Office of Projects Victoria will play a central role in building and improving skills and capability within government.

To complement this, the Government will explore further ways to improve procurement knowledge and management, enhance skills capability within departments and agencies, improve dialogue between government and industry and better communicate upcoming project opportunities.

The following opportunities have been identified as areas to strengthen good practice across government:

Better use of performance information

Industry feedback indicates government tender decision making could be improved by applying a greater focus on its performance assessment of contractors.

The Government will examine processes to enhance its performance assessment of contractors, and make better use of this information to inform future contractor selection. This will ensure greater accountability and drive improved commercial behaviour.

Better planning of projects

Unclear or ill-defined project objectives and evaluation criteria can often create misunderstanding when engaging with the market.

The Government will examine ways to enhance project planning and clarity of project objectives in tender documents.

Improving industry feedback

The Government will examine ways to improve processes to ensure timely and relevant feedback to industry on tender outcomes to drive continuous improvement and maximise industry participation in government tenders.

More regular dialogue with industry

The Government will examine ways to more regularly engage with industry to help them better target their resources.

Better probity management

Industry feedback indicates that probity can be inconsistently applied and managed by government.

To ensure that the application of probity principles is consistent and enables open and fair participation, the Government will examine ways to improve probity management and increase probity expertise of procurement practitioners.

Lifting government procurement capability

The Government will examine better ways to identify and share best practice in procurement, and to support procurement practitioners to lift knowledge, expertise and skills in government procurement.

For more information about reforming public construction you can contact the Department of Treasury and Finance, Construction Policy Team via email: construction.procurement@dtf.vic.gov.au.



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