



Identifying critical factors affecting the effectiveness and efficiency of tendering processes in Public–Private Partnerships (PPPs): A comparative analysis of Australia and China

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Abstract

The success of Public–Private Partnerships (PPPs) largely depends on the performance of tendering processes. This research aims to conduct a comparative analysis of critical factors affecting the effectiveness and efficiency of PPP tendering in Australia and China. A triangulation of literature review, semi-structured interviews and questionnaire survey was used. The research identified 14 critical factors underpinning the implementation of PPP tendering, under 7 dimensions: (1) Robustness of business case development; (2) Quality of project brief; (3) Public sector capacity; (4) Governance structures; (5) Effectiveness of communication; (6) Balance between streamlining and competition; and (7) Level of transparency of tendering processes. The following analysis suggested that there are statistically significant differences in eight factors between the two countries. By adopting the recommended strategies, both public and private entities engaging in PPP projects will be at a better position to structure and manage the tendering processes.

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1. Introduction

Public–Private Partnerships (PPPs) have been widely applied in infrastructure sectors, such as transport, education, healthcare, and water and wastewater treatment. Despite the worldwide PPP application, PPP practices have not always yielded satisfactory outcomes, with a number of failed cases, such as the Sydney Cross City Tunnel Project and the Hangzhou Bay Cross-sea Bridge Project. One significant obstacle for using PPPs is concerned with inefficiencies and ineffectiveness in

tendering processes, characterized by lengthy durations, high transaction costs and a lack of competition and transparency (Dixon et al., 2005; Chan et al., 2010b). International practices suggested that if this concern is not addressed properly, PPPs may lead to sub-optimal value for money outcomes.

Considerable studies have been conducted to identify critical factors affecting the PPP implementation in general, providing reference on the development and management of PPP projects (Li et al., 2005; Zhang, 2005; Qiao et al., 2001). Researchers have also explored key factors impacting on specific processes of PPP procurement, such as the feasibility phase (Ng et al., 2012), the briefing stage (Tang and Shen, 2013), contract negotiation (Ahadzi and Bowles, 2004) and contract administration and performance monitoring (Robinson and Scott, 2009). However, the critical factors extracted in literature may

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not apply to the tendering stage. For example, the private sector's capability is deemed vital for achieving satisfactory cost and time performance, along with high-quality services. But it is of less concern for PPP tendering because in the trend of internationalisation, both overseas and domestic investors will tender for a PPP as long as the government has a consistent approach to PPPs and the project fundamentals are justified. Although a few studies have examined the main issues encountered in PPP tendering (KPMG, 2010; Carbonara et al., 2012), such studies, nonetheless, did not offer specific guidance on how to improve the effectiveness and efficiency of tendering processes through procedural and organizational arrangements, as well as management interventions.

The research presented in this paper therefore addresses this gap in knowledge. It aims to undertake a comparative analysis of critical factors affecting the effectiveness and efficiency of PPP tendering processes in a free market and a centrally planned economy represented by Australia and China respectively. The specific objectives are to: identify the critical factors affecting the effectiveness and efficiency of PPP tendering processes; investigate if there is significant difference in the critical factors in both countries; and propose useful and operational policy and management interventions to enhance PPP tendering processes. Australia and China were selected for the comparative analysis due to the intention to understand the variations arising from different social and economic contexts for PPP use, along with varied PPP development stages. Australia represents a typical free economy and it is a leading country in terms of PPP use, with established market and structured and consistent PPP policies. China is a centrally planned economy, in which the government plays a significant role in directing construction activities, including the promotion and implementation of PPP programmes. Also, China is an emerging market, remaining at an early stage in PPP development under fragmented and inconsistent legal and regulatory frameworks. Comparing the PPP tendering practices between the two countries provides an opportunity to understand how different contextual elements would shape varied PPP tendering processes, and to map the PPP development in terms of improving the "best practice framework" at the tendering stage.

According to Bryman (2008) and Amaratunga et al. (2002), the choice of research methods depends on the research objectives and the scope and depth needed for the research topic. A triangulation of literature review, semi-structured interviews and empirical questionnaire survey was used in this study. A comprehensive literature review was first conducted to identify the critical factors affecting the successful implementation of PPP projects. Based on the opinions and insights obtained from subsequent interviews, this research refined the list of critical factors to reflect their relevance to PPP tendering processes. A structured questionnaire survey was then administered in Australia and China to assess the relative importance of identified critical factors and compare them between the two jurisdictions. Based on the interview participants' views, as well as the results of the questionnaire survey, this research proposed policy and management interventions for improved tendering practices of PPPs.

2. An overview of tendering processes of PPPs in practice

The tendering process of PPPs is concerned with selecting a competent firm or consortium, with a sound technical solution for the proposed project, which offers value for money for governments and general community. Tenderers submit information describing their business qualifications and detailed technical and financial proposals, to be evaluated against a set of pre-defined criteria (World Bank Institute, 2012). Issues such as transaction costs, procurement duration, effectiveness of the selection, competitiveness and transparency and accountability need to be considered in PPP tendering (UNECE, 2004).

PPP tendering practices vary across jurisdictions and may differ between projects given their specific contexts. In accordance with the level of competition created, Felsing (2008) grouped them into three major categories, namely direct negotiation, competitive negotiation and competitive tendering, which are briefly discussed below.

2.1. Direct negotiation

Private sector entities sometimes directly approach governments with new ideas, which are beyond usual public procurement processes, but may offer opportunities to achieve best value (New South Wales Government, 2014). Such ideas or plans are typically referred to as unsolicited proposals. Being exercised in some emerging PPP markets (e.g., Indonesia, Philippines), such a sole-source process can introduce innovations into public service arenas and help to realize strategic objectives and infrastructure goals where governments have limited capacity to pursue. Without a competitive process, unsolicited proposals may lead to fewer transaction costs and shorter tendering duration. However, this approach is likely to incur transparency issues, perception of corruption by suppressing competition, and ultimately compromising value for money (Farquharson et al., 2011).

2.2. Competitive negotiation

Competitive negotiation is structured into four stages, including pre-qualification, invitation to negotiate, best and final offer, and preferred tenderer (Yescombe, 2007). The number of tenderers is reduced as the procurement process progresses. This approach is viewed as advantageous due to the higher possibilities of developing innovative solutions, tailored to characteristics of particular projects (Solino and de Santos, 2010). Meanwhile, concerns remain with a negotiated procedure as it allows extensive negotiations during the preferred tenderer stage, undermining competition tension. The transparency requirement for PPP procurement may also be compromised (Solino and de Santos, 2010).

2.3. Competitive tendering

Competitive tendering is regarded as a useful means to achieve value for money under PPPs (World Bank Institute, 2012). It is also the most commonly-used tendering procedures.

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