

MEDIA RELEASE

Driving Business Success for Consulting Firms in the Built and Natural Environment

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REPORT SHOWS SMARTER GOVERNMENTS COULD SAVE \$2.5B

Australia's federal, state and local governments can free up an estimated \$2.5 billion in additional funds over the next 15 years through improved purchasing decisions and processes for professional services supporting infrastructure delivery.

A new report, *Economic Benefits of Better Procurement Practices*, released today [26/02/15], commissioned by Consult Australia, and undertaken by Deloitte Access Economics, finds significant savings for governments just by buying smarter.

"This report has found that direct savings of around 5.4% can be achieved across governments' procurement of professional services supporting the delivery of new infrastructure," said Consult Australia Chief Executive, Megan Motto. "Changes to procurement will also deliver improvements in the quality of projects in the order of 7%, reducing costs incurred during construction. These flow-on savings are estimated at up to \$87 million per year."

Overall, the cumulative savings of \$2.5 billion are equivalent to the cost of building the second airport in Sydney.

"Around \$43 billion is invested in public infrastructure each year. Approximately 53% is procured from the private sector, and professional services contribute almost 20% to the overall value of infrastructure projects. Significant savings can be realised with improvements to government project briefs, contracts and delivery models.

"In addition to saving money, governments could be delivering better projects faster. This report has found that better procurement by governments could reduce project delays by 7%.

"Alongside this additional \$2.5 billion for new infrastructure projects, GDP benefits nationally would surge in excess of \$5 billion over the next 15 years just from governments' smarter purchasing of professional services."

The report identifies seven next steps to shift the direction of procurement. This includes establishing procurement teams with a mix of skills, reallocating resources to better focus on project objectives and removing contract clauses that do not stack up. The report also calls for the development and application of limited liability guidelines, verification of brief information and streamlining compliance processes. Governments should also evaluate and adapt procurement frameworks to encourage innovation.

The report also found that:

- Project briefs have unclear objectives in 37% of Requests for Proposals (RFPs), resulting in higher costs on 12% of all projects, and reduced competition in around 9% of public infrastructure projects;
- Project briefs that refuse to verify background information result in additional costs of around \$41,800 per firm per bid;
- Bid costs range between 0.6% and 2.9% of project value; and
- A range of onerous contractual terms are commonly encountered, leading to higher project prices for governments.

"These are significant findings. They show that there's a cost of poor procurement borne by public sector clients and taxpayers, as industry often either factors this into their bid price, or decides not to bid for work.

"Governments across Australia are digging around the back of the couch, trying to stretch each dollar to build the infrastructure we so desperately need. This report shows that better procurement policy and practice will make each dollar go further."

Steve Brown, Partner at Deloitte Access Economics and report author said: "While the potential economic benefits of improving procurement are relatively modest in annual terms, it's important to recognise that taking action now can deliver substantial long-term cumulative benefits, worth over \$5 billion in additional GDP over the next 15 years.

In relation to the report's recommendations, he also said: "Government procurement is a careful balancing act, with significant expertise required to achieve value for money in a transparent way.

"We have consulted with both industry and government to identify practical next steps that will help to transform this strategic area of government activity."

Ends

26 February 2015

Notes to Editors

1. Interview requests

To speak to Megan Motto, Chief Executive of Consult Australia, or Steve Brown, Partner at Deloitte Access Economics, please contact: Kevin Keith, Consult Australia, 0420 90 12 76

2. Copies of the report

Copies of the report are available to download as follows:

- Executive summary. 2MB. 5 pages. Click here: <http://bit.ly/betterprocurement-shortform>
- Full version. 1.5 MB. 78 pages. Click here: <http://bit.ly/betterprocurement-longform>

3. About Consult Australia

Consult Australia is the leading not-for-profit association that represents the business interests of consulting firms operating in the built and natural environment.

Our member firms include: AECOM, Brown Consulting, Golder Associates, Kellogg Brown & Root, Opus International Consultants, Parsons Brinckerhoff, Rider Levett Bucknall, URS Australia and WorleyParsons.

We represent an industry comprising some 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms. Collectively, our industry is estimated to employ over 240,000 people, and generate combined revenue exceeding \$40 billion a year. For more information please visit: www.consultaustralia.com.au

4. About Deloitte Access Economics

Deloitte Access Economics is Australia's pre-eminent economics advisory practice and a member of Deloitte's global economics group. For more information, please visit our website www.deloitteaccesseconomics.com.au