Bid Cost Reimbursement for Major Construction Projects

Policy

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## PREFACE

The Victorian Government continues to significantly invest in infrastructure across Victoria to lift productivity, boost economic growth and improve the standard of living for Victorians.

To support the efficient delivery of Victoria’s significant infrastructure pipeline, the Victorian Government implemented reforms to Victoria’s framework for public construction. The reforms enable:

* simpler and easier industry participation;
* time and cost savings when preparing bids;
* a stronger focus on project objectives, rather than the administration of tenders;
* fair, transparent and openly competitive tender processes; and
* greater transparency of upcoming procurement opportunities and improved dialogue with industry participants.

The Government believes that an open and responsive partnership between industry and government creates the best opportunities for best practice and innovation to deliver world-class infrastructure. To respond to industry, further progress reforms and position Victoria as a client of choice in delivering future infrastructure projects, Victoria has updated its bid cost reimbursement policy.

The policy update acknowledges industry as a vital partner in infrastructure delivery and reflects Victoria’s continuing commitment to this partnership. It also acknowledges the significant cost to industry of preparing bids for Victorian infrastructure projects and providing transparency to industry on the requirements and considerations involved in contributing to bid costs.

This policy outlines mechanisms for partial bid cost reimbursement on Public Private Partnerships, Alliances and High Value High Risk Projects as identified by Victoria’s HVHR framework.

# Bid cost reimbursement for major construction projects

## Purpose

This policy defines a consistent approach for assessing the need for bid cost reimbursement on major construction projects.

The appropriateness of bid cost reimbursement will be assessed on a case by case basis.

## Eligible projects

Partial bid cost reimbursement may be considered for major construction projects that meet the required eligibility criteria. Major construction projects are defined as:

* + - Public Private Partnerships (PPPs);
    - Alliances; and
    - High Value High Risk projects as identified by Victoria’s HVHR framework.

## Eligibility Criteria

In assessing eligibility for partial bid cost reimbursement, Government will consider: (a) project specific criteria; (b) broader market criteria and conditions; and where applicable, (c) change of tender circumstances.

### 3.1 Project specific criteria

Projects are required to meet all the following criteria:

* + - there is a need to further incentivise strong bids and enhance competitive tension for the project based on market sounding and / or Expression of Interest responses;
    - the project is of significant scale and complexity;
    - the project has components that would benefit from the use of intellectual property from other tenders; and
    - there is sufficient budget funding to enable reimbursement of bid costs.

### 3.2 Broader market criteria and conditions

Broader market criteria and conditions include:

* + - the need to incentivise bidders to promote the best bid and procurement outcomes;
    - where there is a significant active pipeline of infrastructure projects in delivery within Victoria and/or across Australia;
    - encouraging entry into the market where there is an identifiable gap in expertise, experience, capacity and capability within the Victorian market created by the number and complexity of tenders in the market, their size and the ability of potential bidders to take on project risks;
    - encouraging investment in the market where there is active international interest;
    - a reasonable expectation that the contribution to bid costs is likely to lead to greater competition; and
    - other relevant market factors.

### 3.3 Change of tender circumstances

Partial reimbursement of bid costs may also be considered where:

* the Government introduces significant additional requirements on the bidders for the project during the tender process;
* the Government significantly lengthens the tender process; or
* a tender process is cancelled after bids have been submitted.

This assessment considers the cost impact on the specific procurement, in line with Government’s existing commitment to reduce unnecessary time and cost of tendering.

## Approval

If the above factors are satisfied, Government may consider partial bid cost reimbursement, and the reimbursement conditions appropriate for the procurement.

Any bid cost reimbursement will be approved by the portfolio Minister, in consultation with the Treasurer, prior to any commitments to the market.

## Communicating bid cost reimbursement

If partial bid cost reimbursement applies to a procurement, the tender documentation will set out bidders’ entitlements, including covered items and any limitations on reimbursement.

Reimbursement will be linked to receiving intellectual property (IP) rights from the unsuccessful bidder’s proposal and subject to the bidder submitting a conforming bid.

## Additional Information

Enquiries regarding **Victoria’s Bid Cost Reimbursement Policy** should be directed to the Construction Policy Team at the Victorian Department of Treasury and Finance:

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