

Chapter 1

Introduction and summary

The first Status of public competition was published in 2012. Thus, this is the fifth edition. Among the biggest changes in the period was the adoption of the new Danish Public Procurement Act, which entered into force on January 1, 2016. The Danish Public Procurement Act sets the framework for how the government should make procurements, but not what to buy. The purpose of the Danish Public Procurement Act is to ensure keen, effective competition for public contracts while limiting the transaction costs for running tenders and submitting offers for both procuring entities and tenderers.

In 2015, public procuring entities purchased nearly DKK 300 billion worth of goods and services from private companies. This represents more than 14 percent of Danish GDP. The sums spent on procurements are considerable, so it is important that they are made as efficiently as possible to ensure the right correlation between price and quality.

Competition for public contracts is a key driver in the ongoing development of the public sector. The competition contributes to efficiency gains and innovation. At the same time, effective competition for public contracts will strengthen the competition culture in Denmark in general. When competition is effective, contracts are performed where they are performed best, resources are used more efficiently, and new ideas and businesses are generated. Competition helps to raise productivity in the public sector by optimising working procedures and equipment, improving overview and control, and sharpening the focus on e.g. the desired quality and service levels.

Private companies can help create a better public sector with their focus on efficiency, innovation and new solutions. At the same time, public-private cooperation also contributes to a continuous knowledge transfer to the private sector which can be utilised for product development and growth in the private sector. The public sector can help create new growth opportunities for Danish business by opening up markets for new products and services in Denmark which can subsequently be exported.

Status of public competition in 2016 shows that in 2015 the government, regions and municipalities combined exposed to competition 25.7 percent of the assignments for which it is possible to create competition. In 2014, the competition exposure level was 25.4 percent.

In recent years, the trend has been a slight increase in the total exposure to competition of public assignments, with average annual growth of close to 1 percent in the competition exposure rate. The overall increase of 1.1 percent from 2014 to 2015 is made up of a relatively big increase in the government's competition exposure rate, a slight increase for the municipalities and a decrease for the regions. The difference between the municipalities and regions whose competition exposure rates are highest and those whose are lowest has also grown.

There is potential to increase competition exposure for the government, the regions and the municipalities. If the full potential of further exposure to competition is to be realised, the municipalities must expose more assignments to competition within the 'soft' welfare areas, while the regions must expose more healthcare assignments to competition. Services in these areas are typically more difficult to tender out than standardised services. It may therefore be difficult to realise the potential for additional exposure to competition in the short term. Viewed in isolation, the technical areas - which are traditionally more easily and less controversially exposed to competition - still offer significant potential for further competition exposure. Overall, the potential here is smaller. On the other hand, it is probably easier to realise.

For the government sector, it is not possible to compare ministries in the same way that municipalities can be compared with municipalities and regions with regions. This is because the ministries perform different assignments.

The Danish Public Procurement Act provides new opportunities and a clearer framework for how tenders are organised and implemented. Among other things, the Danish Public Procurement Act means that there is now a single set of rules compared to previously and that procuring entities have extended access to use the flexible tendering procedures, such as negotiated tenders.

Danish companies and procuring entities have welcomed the new opportunities to use the flexible procurement procedures in 2016. At the same time, statistics show that Danish procuring entities published fewer EU tenders and fewer tenders below the thresholds in 2016 than in 2015. The decline in the number of tenders in 2016 may be due to some uncertainty among procuring entities given that the Danish Public Procurement Act came into force at the turn of the year. Statistics show that the number of published EU tenders in December 2015 was double that of 2014.

Box 1.1
Main conclusions -
Competition for
public contracts

- » In 2015, the government, regions and municipalities exposed to competition 25.7 percent of their tenderable assignments. This was an increase of 1.1 percent compared to 2014, when the competition exposure rate was 25.4 per cent. Overall, public procuring entities exposed to competition DKK 101.5 billion worth of assignments out of a possible DKK 394.5 billion.
- » The overall increase is made up of a slight increase in the municipalities, a decrease in the regions and a relatively big increase in the government.

Government

- » In 2015, the government increased its competition exposure by 6.2 percent compared to 2014. The government created competition for assignments worth DKK 23 billion, equivalent to 30.5 percent of tenderable assignments.

Regions

- » In 2015, the regions' competition exposure rate dropped by 2.0 percent compared to 2014. The regions created competition for assignments worth DKK 18.4 billion, equivalent to 19.9 percent of tenderable assignments.
 - » The regions' competition exposure rates vary from 17.0 percent to 23.6 percent. This spread increased from 2014 to 2015.
 - » If all the regions achieved competition exposure rates like the region which exposes the most assignments to competition, it would mean additional competition for assignments worth more than DKK 3 billion.

Municipalities

- » In 2015, the municipalities increased their competition exposure rates by 0.4 percent compared with 2014. In so doing, the regions created competition for assignments worth DKK 60.1 billion, equivalent to 26.5 percent of tenderable assignments.
 - » The municipalities competition exposure rates vary from 17.6 percent to 49.9 percent. This spread increased from 2014 to 2015.
 - » If all the municipalities with competition exposure rates below the municipal simple average of 27.0 percent raised their competition exposure rates to the average, it would mean additional competition for assignments worth just over DKK 3.3 billion.

Potential

- » If the competition exposure rate is to be increased significantly, it will require the regions to expose more healthcare assignments to competition than previously and the municipalities to create more competition for social programmes and employment initiatives.
- » The calculations of potential are uncertain. Thus, there may be assignments defined in the calculation as tenderable which it may not actually be possible to expose to competition.

Including this chapter, Status of public competition in 2016 comprises six chapters. Chapter 2 reviews the opportunities for competition exposure of public assignments and calculates the competition exposure rate. In addition, it briefly examines how the competition exposure rate is used. Chapter 3 examines the competition exposure rate for the government, regions and municipalities. It focuses on developments over the past five years as well as the spread between ministries, regions and municipalities, respectively. In chapter 4, these spreads are used to assess the potential for competition exposure of more assignments. Chapter 5 reviews the new initiatives of the Danish Public Procurement Act, which came into effect on January 1, 2016, and how they have been received by procuring entities and suppliers. Finally, chapter 6 contains facts about tenders and bids, focusing on the number of tenders since the new Danish Public Procurement Act, the use of flexible tender procedures and the number of bids.