APPLICABILITY OF STRUCTURE CONDUCT PERFORMANCE PARADIGM TO THE UK PRIVATE FINANCE INITIATIVE MARKET

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Abstract: The Public Private Partnership/Private Finance Initiative (PPP/PFI) market in the UK has now increased significantly where the capital value of the projects has reached £ 42 billion from over 670 projects. Out of 550 projects, approximately 60% involve construction and/or property activity. As the PFI market matures and showing signs of high growth potential, the UK construction industry has inevitably experienced changes such as mergers and acquisitions of PFI intensive firms, involvement of external entities (such as financial firms) in the PFI construction market and some strategy changes within the industry. These activities and changes can be examined based on already established industrial organisation theories and conceptual models. One such model is the Structure, Conduct and Performance (SCP) Paradigm, which stresses that certain market conditions affect the structure of the firms within a market which later shape their strategic behaviour or conduct and finally decide the performance of the firms in the industry. This paper discusses the UK PFI market in relation to the overall construction investment, orientation of the UK construction market that are attributable to the PFI developments, some features of SCP paradigm and the applicability of the paradigm to measure the changes in the UK construction industry as a result of the introduction of PPP/PFI.

Keywords: Industrial organisation theory, Private Finance Initiatives, Structure Conduct Performance (SCP) Paradigm.

1. INTRODUCTION

The Public Private Partnership/Private Finance Initiative (PPP/PFI) scheme was introduced to tackle the deterioration and inadequacy of public built facilities and infrastructure for competitiveness of the UK economy in late 1970s and 1980s (Winch, 2000). The objective is to share the best resources possible and risks between public and private sectors in a contractual agreement in delivering services and infrastructures to the public and the economy. The public sector provides its initiative and authority, and the private sector brings the financial acumen and managerial and/or technological ability to the table. In doing so, the public sector transfers a significant amount of project risks to the private sector, which is deemed suited and able to manage (CIC, 1998). PFI is generally recognised as a long-term sustainable strategy for improving the social infrastructure and enhancing the value for tax payers’ money (Akintoye et al., 2003) in competitive and innovative ways.

The value and utilisation of PPP/PFI schemes in the UK has now reached £ 42 billion from over 670 projects (PUK Database, 2005). Approximately 60% out of 550 PFI projects examined by Jordan and Dixon (2004) involve construction and/or property activity. The UK government’s enthusiasm in using PFI as one of the major public procurement method is perceptible through its PFI usage trend within the last decade (see Figure 1, which shows the trend in terms of increasing value and number of signed
PFI schemes from 1987 to 2003). It is claimed that UK construction industry is in a more stable ground after the emergence of PFI schemes (Corporate Watch, 2004). Between 2001 and 2002, construction output is estimated to have increased by 9.7% (Construction Industry Market Review, 2003; Corporate Watch, 2004).

The PFI market in the UK construction industry extensively involves financial advisors, investors, government departments, policy makers, legal advisory firms, risk management/insurance firms, technical advisory firms and waste management firms that are outside the construction industry. The implications of PFI to and from these stakeholders are apparent but the magnitude is less clear. There are great divisions of opinion and perception within government departments, industrialists and academics towards PFI and in some cases, these criticisms about PFI have been a subject of media debate and discussions. The perceived impact of PFI scheme is still regarded ambiguous and widely unknown after more than a decade since it was introduced. This paper aims to propose the SCP paradigm as a tentative tool for assessing the PFI market in the UK to provide means to address some of the criticisms of the PFI, particularly from the construction sector perspective.

2. MAINSTREAM ISSUES IN PFI SCHEMES

Despite the claim that the concept of PFI seems to produce the mutual benefits of both public and private stakeholders, it is never agreed that both sectors are maximising the benefits at the same time. Mainstream issues concerning PFI such as: increase in public expenditure because of PFI projects, whether PFI capital expenditure is additional or substitutional for the government, accountability of PFI projects, fiscal dilemmas, public sector comparator (PSC) usages, discount rates and expensiveness, effectiveness of risk transfer to the private sector, contract standardisations and whether PFI projects deliver overall value for money as expected are dominating problems for the public sector procurement system (House of Commons, 2001). For the private sector, issues such as high bidding costs, higher cost of borrowing and funding, long and cumbersome bidding time for PFI projects, market capacity, political and economical uncertainties, risks management and press/public perception are dominant (Robinson et al., 2004). Research into these areas have been currently explored and
most dominate the PFI research fields and debates (Li, 2004; Robinson et al., 2004; House of Common, 2001).

3. EFFECT OF PFI ON THE UK CONSTRUCTION INDUSTRY

3.1 Domestic Market Implications of PFI

It is a general assumption that PFI schemes positively affect the UK domestic construction industry. For example, National Audit Office (NAO) reported in 2003 that 29 out of 37 PFI projects produced no construction related price increase after contracts were awarded. As shown in Table 1, 73% of non-PFI projects exceeded price agreed at contract compared to only 22% of PFI projects that exceeded the price agreed. In addition, 70% of non-PFI projects were delivered late compared to only 24% of PFI projects and only 8% of PFI projects were delivered over two months late (NAO, 2003). The main reason being that the private sector consortiums would like to operate the facility faster to receive their payments with greater certainty. In addition, such results are mainly attributed to the need for the private sector to manage the risk transfer to it by the public sector effectively (Akintoye et al., 2003). The UK construction industry has also found that PFI projects produced cost improvements of 5% to 10% both on construction and subsequent operations or facility management (Public Account, Thirty-Fifth Report, 2003). Nevertheless, and importantly, the NAO (2003) is not able to judge whether the present performance by the construction industry in aforementioned PFI cases could also be resulted from using different procurement routes rather than PFI.

Table 1: Comparison of cost and time overrun on public construction project delivery

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Projects where cost to the public sector exceeds price agreed at contract</td>
<td>73%</td>
<td>22%</td>
</tr>
<tr>
<td>Projects delivered late to public sector (Source: NAO, 2003)</td>
<td>70%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Given that early PFI schemes involved mainly infrastructure projects, the construction industry arm of the private sector is highly affected by the PPP/PFI schemes. As the risks involved in the PFI schemes are great, the incentives and opportunities are also immense depending on the level of involvement in the schemes; many construction companies were attracted by the opportunities offered by PPP/PFI rather than by the risks presented.

Through their involvement in PFI schemes, the construction companies can not only gain the financial benefits, but also gain the experiences, skills and knowledge to better manage their assets in an innovative and more efficient ways since PFI projects require more proactive financial management system than in traditional projects (CIC, 1998). Moreover, the strategy formulation for taking part in the PFI schemes particularly where new market opportunities or niche presents, plays a great role for the development of the construction companies. The experiences and the expertises gained in the PFI projects could also be used in the overseas markets of the industry. The current major players in the PFI market in the UK construction industry, ranked by the
total net sales are shown in Table 2. The PFI market sector in the UK construction industry is largely dominated by these companies.

Table 2: UK’s Top 12 leading PFI contractors in ranks by their total net sales until year 2004

<table>
<thead>
<tr>
<th>Position</th>
<th>Contracting Firm</th>
<th>Total Net Sales (£ M)</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skanska</td>
<td>2,973</td>
<td>23</td>
</tr>
<tr>
<td>2</td>
<td>Balfour Beatty</td>
<td>2,918</td>
<td>33</td>
</tr>
<tr>
<td>3</td>
<td>Laing O’Rourke</td>
<td>1,661</td>
<td>17</td>
</tr>
<tr>
<td>4</td>
<td>Carillion</td>
<td>1,613</td>
<td>22</td>
</tr>
<tr>
<td>5</td>
<td>Amec</td>
<td>1,193</td>
<td>13</td>
</tr>
<tr>
<td>6</td>
<td>Mowlem</td>
<td>1,192</td>
<td>14</td>
</tr>
<tr>
<td>7</td>
<td>Jarvis</td>
<td>1,167</td>
<td>33</td>
</tr>
<tr>
<td>8</td>
<td>Bovis Lend Lease</td>
<td>922</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Sir Robert McAlpine</td>
<td>895</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>AWG</td>
<td>877</td>
<td>11</td>
</tr>
<tr>
<td>11</td>
<td>Alfred McAlpine</td>
<td>784</td>
<td>13</td>
</tr>
<tr>
<td>12</td>
<td>Bouygues</td>
<td>769</td>
<td>6</td>
</tr>
</tbody>
</table>

(Source: Hipperson and Gillman, Skanska, 2004)

3.2 International Market Implications of PFI

According to Crosthwaite (1998), it has been stressed by major construction firms in the UK that international market activities should be increased in order to tackle problems within the domestic construction market. From 1990 to 1996, UK construction firms actually increased their international activities. However, after peaking in 1996, still having a high volume of revenue on international market, their market share started to decline. Even though UK construction firms are among top international firms in terms of rankings with significant volume of global contracts, their market share and international involvement has significantly declined in recent years, and firms from countries such as China are gaining bigger market share globally.

![Figure 2: Value of work undertaken overseas by British construction firms in 1983–2000 (£ Billion in current prices)](Source: DTI, 2001 in Pheng et al., 2004)

A report from the Engineering News Records (ENR) in 1995 indicated that 12 UK firms with international revenue of US$ 11.444 billion which accounted for 12.4 % of total revenue were among the top 225 construction firms in the world (Pheng et al.
The share decreased in 2002 to only 4 UK firms in the top 225 firms with international revenue of US$ 8.58 billion which accounted for 8.06 % of the total revenue. In the latest report of ENR in 2004, UK firms slightly increased in number from 4 in 2002 to 6 firms with the revenue worth of US$ 9.1 billion, but the market share has significantly decreased to only 6.5 %. Among these 6 firms, 4 of them declined in rankings from 2003 with one firm without previous ranking came in and one firm with only one ranking inclination. On average 47.3 % of the revenues of these 6 firms are from international contracts. In 2003 and 2004, the value of US dollar has decreased and yet, the UK firms could not sustain their market share of 1996. Figure 2 shows the trend in the UK construction firms’ involvement in overseas construction activities in their value of work. Such decreasing global market share suggests a declining global competition of the UK construction firms. However, on the domestic front, these firms have witnessed increasing projects counts, sizes, revenues from involvement in the PFI markets after year 1997 when the labour government endorsed the schemes for a principle public procurement strategy. Development and trends of PFI projects that enjoyed a boom after year 1997 is significant to take account. The coincidence in the boom of the UK PFI market and the decline in the international market share could indicate the impact of PFI schemes on the UK construction industry. Other factors contributing to this decline may be the profit margins expected from international contracts which did not meet the high expectations under different risks involved in global construction market (Crosthwaiite, 1998) and the economical declination of Middle East region due to poor regional stability in recent years.

3.3 Corporate strategy changes in the UK construction firms

There are clear indications that PFI schemes have greatly impacted the structure and conduct of the UK construction industry, significantly towards the corporate strategy changes of the construction firms. Prominent market factor contributing to this change of corporate landscape is identified by Morton (2002) as PFI scheme. Mergers and acquisitions of PFI intensive construction firms and non-construction firms especially in the firms of large scales and of greatly diversified business activities are some important examples. Involvement of external entities such as financial firms getting into the PFI construction market, shift of focus of construction firms towards services such as facility management and maintenance provide evidence of the impact that PFI schemes have toward the construction industry (Morton, 2002). Examples include Skanska’s purchase of Kvaerner’s construction arm in order to enhance its PFI expertise in 2000; Amec’s restructuring in 1999 into three divisions namely investment, capital projects and services to move away from traditional work and shift towards more negotiated partnered work and PFI schemes; P&O, Bovis and Lend Lease merger-acquisition in 1999; Tarmac and Carillion, the firm which is extensively involved in PFI schemes, splitting in 1999; construction firm Laing’s business focus change towards PFI in 1999, etc (Morton, 2002). All these firms are ranked as top firms within the UK PFI market sector (Table 2) as well as power houses within traditional construction market. Pheng (2004) pointed out that some numbers of recent takeovers were mainly prompted to acquire and access the expertise involved in the PFI schemes. The attractiveness of the PFI schemes has driven the construction firms into a trend of involvement in non-construction activities as part of their business lines which have emerged through horizontal diversification process and integrated business structure. These diversification and differentiation processes have created UK construction firms
with subsidiaries engaged in areas such as financial services, investment, property, facilities management and international PFI developments. (Pheng et al., 2004).

UK construction firms also have the competitive advantage in the global market from the financial abilities or linkage with financial institutions and expertise in the financial sector rather than relying solely on its construction ability (Pheng et al., 2004). These firms have developed two corporate strategies when engaged in the global construction market; consolidation of core contracting business or specific contracting and importantly, differentiation of services in the areas of financial services and facilities management (Hillebrandt et al., 1995; Morton, 2002; Pheng et al., 2004); these have developed from extensive PFI schemes in the domestic market.

3.4 Market conditions

The PFI market in the UK seems to have become highly concentrated as the same major firms dominate the market. It is also noted that in some projects, only one or two bidders are involved in the bidding process. The nature of PFI schemes especially in the lengthy period of bidding, negotiation and high cost of bidding has also led the industry into high market concentration. According to Lend Lease (2004) in PFI healthcare projects, big deal size, prolong bidding timescales and high bidding costs lead to consolidation of “1st and 2nd Divisions” within PFI market competitors.

3.5 The Need for Analysis in PFI Construction Sector

Current mainstream research on UK PFI have explored the areas of public finance policy, risks, project performance, value for money and project finance options but none has looked into the impact of PFI on the construction industry. Since the PFI market has become an integral part of the UK construction industry, it is important that both tangible and intangible impacts of the PFI schemes are assessed empirically using the tools that have been developed for industrial organisation analysis. The Structure, Conduct and Performance (SCP) Paradigm has been used widely as a basic tool to analyse the cause and effect of the market conditions, market structure, its conduct and the resulting performance of industries (Scherer and Ross, 1990; Faulkner and Campbell 2003). To identify sets of attributes or variables that influence economic performance of a market sector and to build theories detailing the links between these attributes and end performance, the SCP Paradigm is commonly used as a broad descriptive model (Scherer and Ross, 1990). Introduced by Mason (1939), it explains the behaviour of the interlinking structures, conduct and performance of an industry where basic market conditions shape market structure, which influences market or firms’ conduct and then the resulting conduct determines the performance of the firms (Bain, 1968). Within this paradigm, the classic testable hypothesis has been that industry profitability is significantly correlated with the concentration ratio and categorisation of the height of barriers to new entry (Scherer and Ross, 1990), i.e. the conditions of market structure. Since PFI market has emerged with its own attributes and market characteristics such as basic conditions within the construction industry affecting the market concentration, market attractiveness, barriers to entry, risks involved and cost structures, its effect on the structure of the industry is significantly unique and can be tested by the SCP paradigm.
In 1980s, Game theory has emerged as a modern industrial organisation theory and replaced SCP paradigm (Froeb, 2004) in some aspects of the industry analysis, but the SCP paradigm is still significant particularly in measuring the industry structure and performance (Baye, 2003) resulting from the influential basic conditions. Moreover, Game theory emphasises mainly on the strategy implication of firms towards the performance; and implies that under same basic conditions such as supply and demand, public policy or same market structure, the conduct of the individual firms within the market greatly differs in their strategy to maximise the performance. Nevertheless, the SCP paradigm does not address the strategy of firms under same basic conditions (Scherer and Ross, 1990). As it is needed to measure the impact of PFI in terms of basic conditions affecting the market structure, the SCP paradigm shall be used as the primary tool in this study.

4. STRUCTURE, CONDUCT AND PERFORMANCE PARADIGM

To scale the impact of the PFI schemes on the construction industry, the use of a Structure, Conduct and Performance Paradigm (SCP Paradigm) seems plausible. It has been used in the manufacturing setting to analyse the causes and consequences of the market structure, the strategic behaviour of the organisations in the market with market power and the interaction or conduct between firm behaviours and the economic performance of markets (Shearer and Ross, 1990). The SCP paradigm has since been used for public or national policy analysis and has been standardized. However, the earlier model is said to be deficient of unilateral causality using static analysis frameworks among SCP models. In 1970s, Chicago theories emerged which imply bidirectional interactive relations among the structure, conduct and the performances of the market within the dynamic analysis frameworks.

The SCP model stresses that the analysis should focus on the critical determinant of the profitability, as it mostly determines the performance of the industry. However, Porter (1981) and Scherer and Ross (1990) insist that from the strategy and business policy point of view, it is the firms that structured the industry that should be assessed as this leads to the conduct which affects structure and performance in return (Faulkner and Campbell, 2003). The SCP paradigm can be used to analyse market performance as it also determines the market relationship with the clients (CFA, 2000). In the case of the PFI market, this will normally be public clients and end users of PFI projects. The theory generally predicts that profits and output prices would be higher because of greater level of concentration in a given market as a result of the greater ease of collusion in a more concentrated market (Polius and Samuel, 2002). However, the performance measurement should be comprehensive and multifaceted which will include both efficiency and fairness on the market (CFA, 2000).

The limitations of the SCP paradigm are particular in its deterministic slant, hence the need to consider the actions of each individual firms and their ability to alter the structure of the industry (Porter 1981, cited in Faulkner and Campbell 2003). Moreover, the competitive environment at industry structure and business unit level as well as internal strength of each firms play great impact on the SCP paradigm. Some interpretations, as Scherer (1990) pointed out, see the influences running from structure to conduct and performance as being weak, and the feedback affecting structure is so strong, that they doubt the predictive power of the structure-conduct-performance
paradigm. The firm strategy, performance and the managerial strategic choice of firms, all of which influence the industry structure also break the deterministic hold of the industry structure on the performance in the SCP paradigm (Faulkner and Campbell, 2003). Figure 3 is the SCP model developed by Bain (1959) and Mason (1957), and the model suggested by Porter (1981).

**4.1 Market structure**

Bain (1959) defined market structure as characteristics of an organisation of a market which seem to influence strategically on the nature of competition and pricing within that market. It determines the market concentration of which firms control the majority of the differentiated market and by what amounts. In addition, it determines the entry and exit barriers, and power distribution among the firms. The interaction among the firms in the industry includes relations and characters in the quantity, scale, share and benefit allocations between the market players. All the determinants of market centralization, product difference and market entry barriers and exit barriers play significant roles in the market structure. Faulkner and Campbell (2003) reaffirm the nature of market structure by indicating that the significant factors of market concentration are numbers of firms and clients, product or service differentiation, barriers to entry, cost structures, extent of vertical integration and diversification (Faulkner and Campbell, 2003). Table 3 shows four types of market concentration and the environment under which they are operated. They are categorised by calculating market concentration, low or high barriers to entry, level of product or project differentiation, number of suppliers and price determinants of the projects.

For the SCP model to be constructed in the PFI construction market context, it requires an understanding of the structure of a sector in relation to market concentration and competition. This can be determined by using the functions of all the individual firms’ market shares as of top four firms (CR4) or eight firms ratio (CR8). The four firm concentration ration (CR4) is the sum of the market shares of the four largest firms and eight firm concentration ratio (CR8) is that of top eight firms within the same market. The Herfindahl-Hirschman Index (HHI), which is the sum of the squares of the percentage market shares of the firms in a market (Scherer and Ross, 1990), can also be
used to analyse the competition level within the market sector. Content analysis of recent activities within the PFI construction sector can be used to provide the merger and acquisition movements of the key players in the sector. This analysis will reveal the market orientation, trend and the tendency of the PFI key players in relation with their activities in the sector.

Table 3: Types of Market Concentrations and their environment

<table>
<thead>
<tr>
<th></th>
<th>Perfect Competition</th>
<th>Monopolistic Competition</th>
<th>Oligopoly</th>
<th>Monopoly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers</td>
<td>Many</td>
<td>Many</td>
<td>Typically 2-10</td>
<td>One</td>
</tr>
<tr>
<td>Product/Project</td>
<td>Homogeneous</td>
<td>Some differentiation</td>
<td>Substantial</td>
<td>No close</td>
</tr>
<tr>
<td>differentiation</td>
<td>(identical)</td>
<td></td>
<td>differentiation</td>
<td>substitutes</td>
</tr>
<tr>
<td>Barriers to entry</td>
<td>None</td>
<td>None or Very Limited</td>
<td>Substantial scale</td>
<td>Substantial</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and scope</td>
<td>economies</td>
</tr>
<tr>
<td>Concentration of</td>
<td>Zero</td>
<td>Low</td>
<td>Medium to high</td>
<td>Maximum</td>
</tr>
<tr>
<td>market power</td>
<td>concentration</td>
<td></td>
<td>(perfect</td>
<td>concentration)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>concentration)</td>
<td></td>
</tr>
<tr>
<td>Price determinants</td>
<td>Purely by supply</td>
<td>Price as function of</td>
<td>Ability to</td>
<td>Ability to set</td>
</tr>
<tr>
<td></td>
<td>and demand. No</td>
<td>supply and demand,</td>
<td>influence market</td>
<td>market price</td>
</tr>
<tr>
<td></td>
<td>individual client</td>
<td>and the ability of a</td>
<td>price by</td>
<td>by restricting</td>
</tr>
<tr>
<td></td>
<td>or contractor can</td>
<td>firm to charge more</td>
<td>restricting output</td>
<td>output</td>
</tr>
<tr>
<td></td>
<td>influence market</td>
<td>due to product/project</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>price</td>
<td>differentiation</td>
<td></td>
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</tbody>
</table>

(Modified: Department of Public Works, Queensland Government, 2002)

4.2 Market Conduct

Market conduct is a set of competitive strategies that firms adopted as a result of other factors, especially market structure. The conduct of a market includes pricing behaviour, product/project strategy and advertising, research and innovation, market investment, and legal tactics (CFA, 2000; Bain 1959, 1968). These enable competing firms to coordinate and adapt to each other to eliminate the potential entry or existing competition. The market conduct simply describe the behaviour of the firms in order to make profit and increase their market share in their relevant markets based upon the supply and demand condition. Content analysis coupled with a comprehensive analysis of the UK database of PFI projects such as the one produced by the Partnerships UK should provide some information on the conduct of major players in the PFI market sector.

4.3 Market Performance

The performance of a market is a multi-dimensional concept which encompasses effectiveness, productivity, efficiency, equity, profitability, quality, pricing and technological progress of the firms in the industry together with job opportunities and employment (Stern et al., 1996; Scherer and Ross, 1990). In other words, it refers to economic results; project delivery in relation to customer specification (effectiveness); rate of profits in relation to marketing costs and margins; price flexibility and price integration between markets (efficiency). It also refers to the impact of structure and conduct as measured in terms of variables such as prices, costs, and volume of output (Bressler and King, 1979). By analyzing the level of marketing margins and their cost
components, it is possible to evaluate the impact of the structure and conduct characteristics on market performance (Bain, 1968). PFI performance and the performance of the key players involved in PFI should be capable of being measured in terms of the extent to which PFI projects are delivered within targeted time frame and contracted cost, compliance with the output specifications and long term sustainable operation. Attractive profit margins, growth and positive stock market performance will also show the market performance of the firms within the sector.

4.4 Customisation of the SCP Paradigm

The overall aim of the research is to develop a SCP paradigm customised to the UK PFI construction market to measure the direct impact of PFI schemes upon the UK construction industry. It is expected that the paradigm, with a set of matrixes and factors important to a SCP model in the context of the structure, conduct and performance of the PFI construction market, will provide some answers to the changes that have taken place in the UK construction industry and identify the attributes of PFI schemes on the industry. Analysis of the market structure of UK PFI sector coupled with an understanding of the associated market orientation and market strategy will enable us to understand the market conduct of the sector. The conduct of the PFI sector resulted from its structure, coupled with the assessment of the market performance, will facilitate the understanding of the impact of PFI schemes on the industry and the stability of the market in the long term.

5. CONCLUSION

The UK PFI procurement route for the delivery of public projects will certainly continue to increase in terms of the number and value of projects. It is difficult to say if the number of firms that will continue to participate in the PFI market will continue to increase or not given the current decline in the number of the key players’ involvement in tendering for new PFI projects.

As the current market is dynamic and competitive, understanding PFI influence on construction firms and its impact on the industry is imperative. However, no research investigations on PFI have addressed the impact of PFI schemes on the UK construction industry. It is crucial to understand the impact of a significant public procurement method upon one of the biggest contributing sectors of the economy.

The UK construction industry has changed significantly in terms of its global market share, domestic market and involvement in non-construction activities, since PFI was introduced. Hence, an understanding of the impact of PFI on the construction industry based on an empirical investigation could bring positive outcomes to the public perception of this procurement system and bring more awareness of the market drivers and strategy. An evidence based approach to current PFI market is essential to deliver successful PFI projects. An understanding of the structure and conduct of the PFI sector may also provide an incentive for new firms within the construction industry to enter the market.
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