

## Summary of the 12<sup>th</sup> Contract Review Committee

Okinawa Institute of Science and Technology (OIST) Graduate University

1. Date and time: August 1, 2017 (Tuesday), 13:30 ~ 15:30
2. Venue: Meeting Room1, Conference Center of OIST
3. Attending members: Manabu Ofuchi, Yoichi Kagawa, Itaru Shimizu, Hideaki Tanaka, Toshiaki Tada

#### 4. Summary of the proceedings

##### ○ Overview of OIST

The Secretariat explained the overview of OIST.

##### ○ Report the improvements of procedures of procurement

The secretariat explained the improvements of procedures of procurement based on the opinions from committee members.

##### ○ Agenda

##### 1) Selection of items for deliberation

Mr. Sakihama selected 3 contracts out of the 456 contracts for the review based on contracts types.

(Construction: 1 item, Goods and Services: 2 items)

Reasons for selection of items for deliberation

Mr. Sakihama

**【Contract of Public Construction】**

1) General Competitive Bidding: No.66 (Construction work for Lab.4)

The contract amount is almost 7 billion yen. It seems that there is only one competitive bidder. Is there only one bidder from the beginning? Did you take some measures to make competitive environment? Please explain the background of the contract.

**【Contracts of Goods and Services】**

2) General Competitive Bidding: No.42 Accommodations arrangement for Workshop FY2017

It seems that the contract is under competitive environment. Please explain the reason why/how the contract environment was made. How do you ensure the cost and quality of accommodations?

There are 4 competitive bidders. What was the reasons for concluding contract with the Company A?

Is there any relevance with No.40 and 41 on the contract lists?

What kind of workshops to be held? Please explain those themes and terms of the workshop, and whether those are regular workshops or not.

3) Negotiated Contract: No.79 Purchase of Mac Book Pro for students, 16sets

No.370: Purchase of Mac Book Pro for students, 1set

Would it be possible to make a contract all at once?

Why contract method differs between the contract No.79 and 370?

2) Reviews of the Selected Contracts

1. General Competitive Bidding

I. Construction Work for Lab.4

<Summary of the Contract>

- The contract is for construction of structure, interior and exterior. Total 3 times of competitive bidding was conducted.
- Overall Grandest Value Method (OGVM) was taken for the initial bidding. The competitive environment was expected to be set since the 4 companies requested drawings of Lab.4. However, there were no bidders at the time of bid deadline, and the advertisement for bid was withdrawn. OIST reviewed and analyzed causes of the unsuccessful bidding by asking some companies for their opinion.
- General competitive bidding method was taken for 2<sup>nd</sup> bidding. OIST did not change the approximate cost of construction, and relaxed the difficulty level of the construction work required in the condition for participation in the bid. As a result, there was a participant (two of the four who requested the drawing with the first bidding made up JV), but since it was largely diverged from the bid price and the estimated price. Therefore, it became unsuccessful.
- OIST reviewed the estimated price and made a third bid (general competitive bidding). As a result, the participant in the second bid made a bid and signed a contract.

Comments from the Committee Member	Explanation from OIST
How was the estimated price set?	OIST analyzed the estimate in case of the unsuccessful bid, reviewed the unit price, and set the estimated price.
Had the estimated price been considered within OIST? What kind of information should be collected to estimate the proper unit price?	OIST interviewed some design offices including tenderers and gathered information on prefecture and domestic situation of construction works. We also asked external consultants for analysis. Based on those opinions and the results of internal review, it was set as the estimated price.
Had the contractor conducted other construction work for OIST before?	The contractor is a JV of the company A and the company B. The company A won a contract for the construction of Lab.2 and

	the company B did the Engineering Support Building.
When comparing the second bid and the third bid, there is a difference of about 700 million yen in the bid price. What is a reason of the difference?	When reviewing the estimated price, we reviewed the specification as well as the unit price.
The contract was placed in FY2016. What kind of budgetary measure are taken to the contract?	Construction costs of 11.3 billion yen are allowed for 4 years from the supplementary budget for FY2015 based on the acts incurring liabilities on the treasury.
In the case of Okinawa Prefecture, the travel expenses of workmen are considered as an allowance. Did you set a similar provision in this case?	No, we did not. We understand the situation of difficulty in procuring workmen in Okinawa Prefecture by interviews. Therefore, we made adjustments that are appropriate for the situation.
Did you consider a negotiated contract (which no winning bidder after conducting price bidding) as one of bidding methods?	When making a negotiated contract, which no winning bidder after conducting price bidding, the design contents and conditions cannot be changed. Since the gap between the bid price and the estimated price was large in this case, it was difficult to make a contract by negotiated contract with the same condition.
At the time of the second bid, there were four bids, but did the third bid become a successful bid at one time?	Your understanding is correct.
As a result of the third bid, the bid price and the estimated price are very close. Did the bidder know the estimated price in advance?	No, they didn't. The bidders wouldn't know the estimated price in advance.
The short construction period was pointed out by the interview. Did you consider changing the construction period when	In this case, it is that the construction period is short in order to do with the shortage of workmen. Generally, the cost

changing the specifications?	will also increase as the construction period becomes longer.
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## 2. Accommodations Arrangement for Workshop FY2017

### <Summary of the Contract>

- Select an accommodation facility for guests to stay during workshops, and concluded as year-round contract (General Competitive Bidding).
- Concluded a service contract with the planned number of accommodations for the workshop scheduled for FY 2017 as the planned quantity and making it a unit price contract per night.
- Since prominent guests will be invited to workshops, quality of the facility as well as the price was added to the criteria of selection. Only participants who passed the criteria, as follow, made it possible to participate in bidding; qualified class C of the unified qualification of ministry and agency or higher, pass the screening of English correspondence and response ability to complaints.
- In recent years, it is difficult to conclude a contract with unified unit price all year due to the rise in the room rate. Therefore, OIST divided the price for each workshop so that it can adjust to the seasonal fluctuation of price.
- The estimated price was set by acquiring the reference quotations, which multiplied the planned number of nights by the number of accommodations for each season hotels can offer, and comparing them. As a result of the comparing, the less expensive price was adopted as the estimated price.

### (Relationship with Catering Arrangements Work)

- Made a full-year unit price contract for catering arrangements during workshops.
  - Classified according to breakfast, dinner, reception, and box meal.
  - Because participants come from all over the world, it is necessary to individually deal with dietary restrictions for their religious reasons. As for dinner and reception, it is available in buffet style and the participants can choose meals by their own.
  - The estimated price was set by comparing the submitted reference quotations, which was based on the planned quantity of meals, and adopted less expensive one.
  - As a result of general competitive bidding, there was participation by 2 companies. OIST divided contracts with the main campus and the Seaside House, however, the winning bidders were the same for both.
- \* The winning bidder is different from the contractor of the accommodation facility arrangement work.

Comments from the Committee Member	Explanation from OIST
Is the contract outsourcing only for lodging? If air ticket arrangements were included in the outsourcing, you might be able to reduce time and labor.	We had made outsourcing contracts included arrangements of air tickets, lodging, and transportation services by bidding in every workshop previously. However, we changed the contract method because the number of workshops has been increased as well as individual correspondence.
How many accommodations were suitable for OIST's requirements?	There were four to five facilities in the range of 30 minutes from OIST.
Does the number of times workshops are held is expected to increase?	It has a trend to increase.
Do you assume dividing the supplier by field of workshop?	Yes, we do.
How do you arrange air tickets?	We, OIST, make arrangements for air tickets through contracted travel agency. As a trial from this fiscal year, we have adopted a fix-rate system, and make participants to arrange their travel by own except lecturer.
Given the location conditions of OIST, is it difficult to arrange accommodations regardless of season?	At the time of bidding, we told the time of the workshop and the assumed number of people to use to accommodations. They offer the room rate separately by season.
Wouldn't it be more efficient and economical to order all travel arrangements to a travel agency than contract with hotel directly?	Previously, we had requested travel agencies for travel arrangements including adjustment, but there were cases that were declined by travel agencies depending on the time. Therefore, we are not considering the idea now.

3) Negotiated Contract

I. Purchase of 16 Personal Computer (Mac Book Pro) /sets purchase

<Summary of the Contract>

- OIST lends computers (laptops) to students.
- The computers are supposed to be used for four years. When it becomes unusable due to malfunction etc, the computer will be exchanged it to a new one.
- OIST takes a survey of desired computer to students in prior to their admission, and we order the computers in accordance with the results.
- Because warranty period would progress from the time of its purchase, volume purchase of computers could be the risk of keeping a large volume of them in stock. Also, we purchase the necessary number of computers at the necessary time because the starting time of use is not the same.
- As a specification of the computer, it is conditioned on a 4-year warranty, and suppliers were limited because special purchasing routes are necessary to satisfy it. However, since 2017, it became possible for suppliers other than this contractor to handle 4-year warranty. Contracts after 2017 are based on competitive quotes from suppliers.

Comments from the Committee Member	Explanation from OIST
Does “warranty” refer to “manufacturer's warranty”?	Your understanding is correct. “The warranty” refers to “extension of manufacturer's warranty” (3-years + 1-year).
Were there any suppliers who can provide extended warranty other than the contractor?	It seems to depend on conditions for purchase, and there was limited supplier that can offer extended warranty.
Why do you need 4-year warranty?	The Student Support Section and the Procurement and Supplies Section discussed the purchase of computers, and we determined that the students would use them for at least 4 years according to the curriculum.
Would it possible to make lease contract?	There is a balance with finance (budget) restrictions, but we think there is room for consideration.

### 3. Reports from OIST

#### I. Regarding to the improvement plan of procurement procedure

##### <Summary of the Report>

On the development of the procurement procedure improvement plan incorporating the PDCA cycle, the following comments regarding the tasks detected based on the achievements and issues were received from the committee members including the linkage with the OIST business plan.

- Clarify consistency between improvement plan and the Business Plan.
- It is important to set goals, achievement measures, and evaluation specifications and objectively analyze and verify them.
- How would you make a comparison between the detected reasonable hypothesis and the usual method?
- Satisfaction level for the procured items is an important indicator.
- There are many cases that the effect did not improve by just raising a simple numerical value.

We apply specific task targets of the division to the PDCA cycle, and particularly want to further comment on reinforcement of indicators, excess / deficiency, digitization etc. of evaluation items in "C".

We would like to consider how to reflect the "P" of the PDCA cycle thus established in the next business plan.

Comments from the Committee Member	Explanation from OIST
Will you make to apply other contracts extracted this time to PDCA cycle?	We will consider in the direction except for daily work.
It is not the best way to apply all your work to PDCA cycle. It is necessary to scrutinize contracts. It does not mean that you need to apply everything to PDCA cycle. It is also necessary to examine.	—
How do you evaluate “ensuring proper implementation”? What is the standard of achievement?	
—	We clarify "problems (tasks)", "what we should do (goals)" and "what to do (concrete action)", and we would like to set “evaluation items” for it. Currently,



	qualitative terms tend to be used more frequent, and we worried about how quantitative grasping is possible.
It may be qualitative. It is important to clarify what you are supposed to achieve. You should be able to see the problem and the attitude towards the problem. At the same time, the risks and disadvantages arising from efforts should be recognized.	We would like to incorporate the viewpoints of where there are risks and how to be careful in their approach.
If it is reflected in the 2018 business plan, is it the schedule that "Next P*" is determined in January 2018? *PDCA cycle	It will be such a timeline.

## II. Procurement of reagents

### <Summary of the Report>

- Procurement of high-priced exclusive reagent kit from overseas manufacturer to use in machine to read genome and gene sequence.
- In a situation where sales channels are restricted from manufacturer to end user, the vendor of the Okinawa district is designated as one company from the total import source (specific circumstances of Okinawa).
- In the case of universities in the metropolitan area, they are able to purchase reagents through several trading companies. On the other hand, why does OIST have no opportunity to benefit from competition?
- As a result of consultation at the previous Contract Review Committee, we received advice that it is possible to consult as a matter of illegality from consumer, which regional differences regarding competition availability have come out. We asked the total importer.
- As a result, we got a proposal for cash back at a rate that corresponds to the achievement.
- We confirm feasibility within the scope of subsidy execution rules, and refer some cases of private enterprises etc. We reviewed the plan for reflecting the rate according to the results for the current fiscal year in the next year's unit price contract, and currently under inquiring.

Comments from the Committee	Explanation from OIST
Is it better for accounting to implement the cash back within the fiscal year rather than carry over the actual result (return of discount) in the next term?	The problem is that individual transactions and discounts do not coincide. We would like to review again with the Accounting Section and the Budget Section for better processing methods.
Can vendors in other areas sell the items to Okinawa?	No, they cannot. Restrictions are imposed on wholesalers by the total import importer.

4. Schedule for the next committee and the committee member responsible for extracting cases

At Tokyo, January 2018 (TBD)

The committee member responsible for the next extraction of cases will be Committee Member Shimizu.

(Committee Member Shimizu -> Committee Member Katada -> Committee Member Tada -> Committee Member Tanaka -> Committee Member Namerikawa -> Committee Member Sakishima)