

Summary of the 1st Contract Review Committee

Okinawa Institute of Science and Technology Graduate University

1. Date Friday, March 23, 2012 from 3:00 pm to 5:20 pm
2. Venue A-150 room, Okinawa Institute of Science and Technology Graduate University (hereinafter referred to as “OIST”)
3. Attendees Yo Nozato, Toshiaki Tada, Shigeki Kusunoki, Keiichiro Shimura, Takao Kashitani, Keisuke Yoshio
4. Summary of the Proceedings
 - Establishment of the Committee
The secretariat provided an explanation of the intent and purpose of the establishment of the Contract Review Committee (hereinafter referred to as the “Committee”).
 - Mutual Election of the Committee Chairperson
In accordance with the provision of paragraph 2, Article 3 of the Detailed Regulations of the Committee of OIST, the chairperson was elected by mutual vote of the Committee members and Mr. Nozato was appointed by the members from among the members.
 - Designation of the Proxy for the Chairperson
Pursuant to the provision of paragraph 3, Article 3 of the Detailed Regulations of the Committee of OIST, the chairperson Nozato designated Mr. Kusunoki as a proxy for the chairperson and the designation was approved by the members.
 - Overview of OIST
The secretariat provided an overview of OIST.
 - Agenda
- (1) Extract of the matters to be discussed
It was reported that Mr. Nozato selected 7 items of subject matter for the agenda from the 105 issues according to the contract type.
(2 issues from goods and services, 3 issues from construction, and 2 issues from single tendering)

(2) Discussion on the individual issues

1) Procurement of furniture in the Lab-2 building

Comments and opinions by the Committee	Explanations, etc. by the secretariat
Explain the reason why the bid tendered by one bidder out of the three bidders was invalidated.	This was because we did not receive the document whose submission was ordered.
Has the budgetary cost been disclosed?	These are not disclosed for goods and services.
Is this commonly-used furniture or special custom-made items?	They should be ones that fit the school facilities and also be easy to use. We have shown to vendors the design dimensions for furniture that can fit in the buildings or research rooms, and asked them for prior confirmation of the products for which they are going to tender bids. As with the nature of such furniture, it includes items that are specially made.

2) Purchase of one set of a nanoparticle vapor deposition system

Comments and opinions by the Committee	Explanations, etc. by the secretariat
Why did the bid acceptance ratio become 100%, or is this system special? What is the basis for the ratio of the original price to the purchase price of 0.893? What is the Specifications Development Committee?	As this is a special large-scale research facility costing over JPY50,000,000, the validity of its specifications was discussed from the perspective of the research purpose in the Specifications Development Committee consisting of members including two outside experts to determine the final specifications. This system has never been introduced to any other institute or organization; therefore, the bid acceptance ratio became 100% as a result of budgetary cost setting based on the referential quotation submitted by the vendor.
Is there any point in implementing a bidding process for this sort of issue? In the light of the nature of this issue, it may be better to enter into a single tendering process through price negotiations and then provide sufficient explanation about the contractual arrangements. As OIST is not a state organ but a private university, there is no need to implement a bidding process every time according to the rules. We will be thoroughly convinced if you explain the reason for a single tendering arrangement and the background to the negotiations, including the administration costs incurred in the bids.	Upon the inauguration of the OIST School Corporation, rules have been developed and their trial enforcement has just commenced. One provision under this rule applies to any apparatus costing up to JPY50,000,000 for which it is expected that only one party will tender a bid, and enables us to enter into a single tendering process under and subject to the internal approval of the Procurement Committee. In addition, we conducted cost surveys of both domestic and foreign markets for reference.
Isn't it impossible to negotiate on prices in cases where the bidder is the only party involved?	We have actually negotiated a price in the process of selecting a manufacturer and the system model by bringing other manufacturers into the competition for price-cutting.

3) Construction related to a liquid nitrogen supply system in the Lab-1 building

Comments and opinions by the Committee	Explanations, etc., by the secretariat
<p>Explain the reason why only one party tendered a bid for this issue.</p>	<p>This construction work required specialty work to install a liquid nitrogen supply system as well as plumbing for the existing research facility. Under these circumstances, the number of capable builders among those who had met the requirements for the bidding was limited and they were reluctant to participate in the bidding. In addition, only a limited number of manufacturers can manufacture this system in Japan; therefore, it was difficult to bring vendors into the competition for price-cutting in terms of the procurement from such constructors. Furthermore, the builder, who already had some knowledge of the existing facilities, etc., in the Lab-1 building, had an advantage. Thus, only one builder who had already undertaken work for the installation of machinery in the same building tendered a bid.</p>
<p>Is there any impact due to the difficulty of the construction work? Is this the reason it became a sole-source bidding by one company out of 70 companies who met the requirements for the bidding as a result?</p>	<p>That is correct.</p>
<p>Is there any arrangement to give favorable treatment to builders from Okinawa?</p>	<p>The requirements for bidding are that they shall have headquarters or business office(s) and a track record in performing public works in Okinawa. Some construction work is directed to a number of builders in Okinawa, for which there are particular arrangements by lowering the standard of the general rating scale value (P point) for the examination of management matters when specifying the requirements for the bidding competition. However, this issue concerns the installation of a liquid nitrogen supply system that has the risk of causing an extremely hazardous accident due to its special use as a research facility. Therefore, we set a high standard for the P point for such an examination in order to have the assurance of higher safety standards and quality in the construction work.</p>
<p>The validity of single tendering rests on the accountability concerning the reason why there are no bidders other than one party who can meet the specifications. In this regard, our consideration is that it would be better to clarify the person who makes the judgment in OIST. If you need some time to provide a sufficient explanation, this would mean that implementing a bidding process is rather efficient.</p>	<p>We will consider it.</p>

4) Design work for laboratories, etc., in the Lab-2 building (floor A and other areas)

Comments and opinions by the Committee	Explanations, etc., by the secretariat
As this issue is for public tender, discussion should focus on the reasonableness of the budgetary costs. What is the basis for determining the budgetary costs?	We have used the unit price list for design engineers compiled by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) as our reference.
The unit price list compiled by MLIT is based on an average value while environmental conditions vary according to each individual case. Therefore, the list cannot be sufficient grounds for an explanation that the cost will not be high. It would be better to conduct a comprehensive survey of the market conditions at the time before starting negotiations.	We will consider this for our future efforts.
Have you implemented this participant-confirmed public tender method in the past, too? If applicable, was there any actual design firm that expressed its intention to participate in the bidding through such a method?	We have entered into agreements through this method for more than 10 issues in the past. No other design firm has ever expressed its intention to tender a bid.
In the method adopted by Okinawa prefecture, the overall baseline design shall be performed by one design firm, but the detailed designs may be individually performed by different design firms and their supervising firm, who are selected through public tender for each building. Therefore, it should be possible for other design firms to participate in the bidding for the detailed designs.	In case of OIST, it is impossible to tender bids individually for the detailed designs. The reason for this is that when implementing the public tender for the baseline design, single tendering for the detailed designs was made a condition for the successful bidder of the public tender.

5) Improvement work on a lodging house

Comments and opinions by the Committee	Explanations, etc., by the secretariat
Has the cost of burden been determined?	We have set and agreed on a rent per square meter for a room in the lodging house.
Is this lodging house owned by OIST?	That is correct. There is an arrangement for it to be rented to a business operator for 30 years.

6) Periodic inspection work on the electric power monitoring equipment manufactured by Mitsubishi Electric Corporation

Comments and opinions by the Committee	Explanations, etc., by the secretariat
For this sort of equipment, there are cases where the successful bidder tenders at a price exceptionally lower than others for a purchase agreement on the main unit, and profits from the inspection work (as it is called, “1 yen bidding”). How much does the main unit cost?	It costs JPY277,000,000.
There is also a way to determine the successful bidder in line with the total cost of both the main unit price and the inspection work (life-cycle costs) when implementing a bidding process for a purchase agreement for the main unit.	We will study it.
For state undertakings, there was a case in which a company had been selected through comparison among companies on the basis of inspection costs for 15 years.	We will consider it.
Is there any clear reason to explain why no other companies other than the supplier of the main unit can conduct the inspections?	This is because knowledge that has not been disclosed to the public but is possessed only by the supplier, such as diagnostic data, is required for the inspection.

7) Simultaneous interpreting services pertaining to the R&D cluster workshop

Comments and opinions by the Committee	Explanations, etc. by the secretariat
How did you check the quality of the interpreters?	There is no process to check the quality in the procedures for the agreement on this issue.
How will you select the company providing the services if the quality level varies among the companies?	Companies from which we have obtained competitive quotes already have a track record of actual agreements with us. The level of the interpreters employed in the past agreement was assessed in advance before obtaining the quotes.

(3) Overall issues

Comments and opinions by the Committee	Explanations, etc., by the secretariat
<p>There is a high rate of sole-source bid by one party among 105 issues. Explain the reason why the bid acceptance ratio became 100% for 11 issues.</p>	<p>This is due to the unique nature of procurement in research institutions. For construction work and general-purpose goods, more than one builder or vendor has participated in the bidding. However, for research apparatuses, researchers weigh the performance and price of the products in a comprehensive manner. In the process of selection, competition among builders or vendors affects the results. We have determined whether it is better to implement a bidding process or enter into single tendering according to the price of the product or apparatus. When entering into single tendering, the final quotation that has been agreed through negotiations is set according to the budgetary costs; therefore, this results in a sole-source bid by one party and a bid acceptance ratio of 100%.</p>
<p>It would be better to conduct surveys from time to time on the market or product information from the view point of experts, and examine the appropriate procurement method in a flexible manner.</p>	<p>We will study this.</p>
<p>From the perspective of compliance, there is an option with regard to personnel in charge of procurement to be relocated to another section after a certain period of service in the procurement section. A number of companies have actually adopted such an option. On the other hand, this method has disadvantages regarding transmitting and accumulating knowledge and skills in the organization. We hope OIST will thoroughly study which method should be adopted.</p>	<p>We would like to consider personnel relocation within the same department (e.g., Accounting Department) for a fine balance in the future.</p>
<p>In Okinawa prefecture, efforts have been undertaken to avoid suspicion regarding issues concerning a bid acceptance ratio of 100% by implementing a calculation system in units of one yen for the budgetary costs on construction work and design agreements. It would be better not to adopt the final amount of the quotation as the budgetary cost, and to prevent matching through providing assessments.</p>	<p>We will consider this.</p>
<p>From an external point of view, it appears to be a little contrived that the bid acceptance ratio has become 100% and the budgetary cost matched the bidding price even yen for yen. We hope OIST will operate in a flexible manner to ensure accountability to outside parties in accordance with some principles.</p>	<p>We will work towards this. With regard to the selection of apparatuses, we have utilized CRAC (Common Resource Advisory Committee) consisting of more than one faculty and attempted to vary the apparatus models and specifications, not limiting them to particular ones.</p>

We have understood your undertakings and efforts as the Procurement Department through the explanations provided today. We would like you to further improve your expertise in the future. It would be better to provide further explanations on overall trend, nature or property of these issues.	
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(4) Schedule for future meetings and the member in charge of selection of the items of the subject matter

The secretariat provided an explanation of the following schedule and it was approved by the members.

August 2012	To be held in Tokyo
December 2012	To be held in Tokyo
April 2013	To be held in Okinawa

It was confirmed that the member in charge of the selection of the subject matter shall be according to the detailed order described in the members list which was distributed as follows: (Mr. Nozato → Mr. Tada → Mr. Kusunoki → Mr. Namerikawa → Mr. Shimura → Mr. Kashitani → Mr. Yoshio)

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