

Summary of the Third Session of
the OIST Contract Review Committee

Okinawa Institute of Science and Technology (OIST) Graduate University

1. Date Monday, January 28, 2013 from 2:30 pm to 4:30 pm
2. Venue C-209 room in the OIST campus
3. Members Yo Nozato, Toshiaki Tada, Shigeki Kusunoki, Keiichiro Shimura, Takayuki Seike, and Susumu Namerikawa (Absent: Takao Kashitani)
Observers: Osamu Kubota, and Koji Matsuda (OIST Corporate Auditors)
4. Summary of the Proceedings

- (1) Extraction of the subject matters to discuss

It was reported that Dr. Kusunoki extracted 8 subject matters from 160 issues by contract type. (4 issues from goods and services, 2 issues from construction works, and 2 issues from single tendering)

- (2) Discussion on individual issues

- 1) Lease of 1 set of an X-ray photoelectron spectrometer

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| The bid was tendered three times a day by only one bidder, as the bid did not reach the estimated price. In such a case, an alternative method should be considered, such as facilitating a negotiation by negotiated contract. The outcome may be the same, but it will be easy to explain the process for the negotiated contract. | In this case, we contacted three leasing companies, but only one company made a bid eventually on the grounds that the credit research would be time consuming. Under the OIST operation, a bid for construction work can be made up to four times. On the other hand, no limit is imposed for a bid for goods and services, and it is repeated until one of the bidders' tenders is accepted. The procurement division aims to accommodate a request from any researcher asking for equipment to be delivered at a time of need. |

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| In Okinawa, up to two bids a day are permitted, and as options, a negotiated contract is entered into with the supplier who tendered the cheapest price, or a selective tender exercise takes place on another day. It is recommended to have options that would put pressure on suppliers. | We would like to discuss improvements in terms of reasonability and accountability from now on. |
| It is important to introduce some means of putting pressure on suppliers. | |

2) Purchase of one set of equipment for a CS digital modulation transmission system

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| The difference between the quoted price for reference and the accepted bid price seems to be too large. Is there a practice in the audio-visual equipment industry of presenting a high price for the quotation for reference, and actually bidding a lower price? | It is not considered customary practice, but bidding prices have declined under a competitive environment. In the past, the bid for a projector and other equipment installed in a meeting room went into a bidding war, similar to this case. |
| Unlike construction work, it is difficult for the orderer to determine the adequacy of goods price. It is recommended that some measure be introduced to allow as many bidders as possible to participate in the bid. | - |

3) 1 set of fire insurance

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| In this bid, it should be difficult to decide a bid price if no understanding on the OIST campus is provided, such as the level of possible damage thereto due to a typhoon. In other words, the previous contractor (bid winner) should have an advantage. | We have striven to distribute drawings of the campus and facilities on the web, and to hold briefing sessions including the provision of tours of facilities on-site, so that the competition is held under fair circumstances. |

- 4) Construction work to improve the environment in core parts of OIST (planting trees in gardens in the Onna campus and other works)

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| <p>Reading the minutes of an investigation meeting held when a bid was agreed at a low price, the winning supplier stated that the reason why it put forward such a competitive price was to achieve an actual result through winning a bid at OIST as a prime contractor. Will this result offer an advantage to this supplier in future bids in OIST?</p> | <p>This supplier may have gained some advantages through this work, as it could get a better understanding of OIST's requirements directly. However, the result of the conclusion of a contract does not constitute eligibility for participation in a bid for construction works in public institutions. Therefore, this supplier shall not receive any beneficial treatment in bids for public works in the future. This would be a misunderstanding.</p> |
| <p>We wonder if most of the suppliers in Okinawa have a misconception about bids.</p> | <p>We would like to take the opportunity to give an explanation.</p> |

- 5) Establishment service of a chemical substance control system

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| <p>We would like to ask you the reason why OGVM (Overall Greatest Value Methodology) was adopted for the bid.</p> | <p>A decision was made by the finance and compliance divisions based on the request from the division responsible for this system.</p> |
| <p>Was the responsible person in the division who requested this system a member of the review committee? Such person should know much about the supplier, as he or she was dealing with them. Have you adopted any approach to ensure expertise while maintaining neutrality, such as to make an evaluation by keeping suppliers names confidential in proposal documents?</p> | <p>To ensure a fair and equitable evaluation, the vice president for finance, the manager in charge of finance, and a member of the faculty who becomes a user are selected as members of the committee, and a member of the faculty in Ryukyu University and a manger in the IT division are also selected as external members. We don't keep the names confidential, since they can be guessed by reading the proposal documents.</p> |
| <p>Evaluation results varied considerably among items in the annual maintenance. We would like to ask the reason why.</p> | <p>For vendors who received a low evaluation, there were statements in the proposal documents that deemed they did not satisfy some of the bid conditions.</p> |

6) Construction work to renovate a kitchen in the center building

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| <p>It would be difficult to calculate the estimated price if orders for the design and construction were placed with one company exclusively.</p> | <p>A list of kitchen instruments and their layout plan in the kitchen were already prepared at the time of foundation design for the entire campus. Therefore, it was possible to quote the amount of the work, and calculate the estimated price.</p> |
| <p>How did the supplier of kitchen instruments quote the amount of construction work?</p> | <p>Suppliers seem to contact any construction company having experience when contracting work in OIST. In addition, since the supplier of kitchen instruments is experienced in renovation works, it would be possible for that supplier to calculate the amount of construction work in consideration of data obtained when it accepted other orders in the past.</p> |
| <p>Is it valid and effective to adopt an average score from among the three members for technical evaluation? It is also difficult in the case of the engineering work. It is recommended that adopting the decision method for evaluation scores by a council system be considered.</p> | <p>The council system has been adopted for complex and large-scale cases.</p> |
| <p>In the system under which an individual member gives scores, it is better to predetermine specific rules. For example, if the score variation among members exceeds a certain value, members shall mutually confirm whether any misunderstanding has arisen.</p> | <p>Discussions are held in the committee regarding evaluation results provided by each member. We would like to consider the establishment of such rules.</p> |

7) Design and other services for the experiment facility and other laboratories in the No. 3 research building

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| We see no problem with the selection of these joint venture partners. Although a negotiated contract was entered into with the respective partners, the actual amount was lower than the estimated price by approx. 5%. What sort of negotiations were held? Was the estimated price presented to applicants? | The estimated price was not presented, but the partners should understand the result of the budget request as its details were published in newspapers. We consider that these partners have made use of their past experiences, such as regarding the degree of changes in design, since this was the execution design for the third building. |

8) Countermeasure work for a slope (on the west side of a forest road)

| Comments and opinions by the Committee | Explanations, etc. by the secretariat |
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| You stated that you confirmed with another company the appropriateness of the construction method and quotation amount submitted by the precedent construction company. How did you confirm this? Did you conceal the company name? | We asked for the opinions of another construction company about the method and amount without providing the company name. |
| In this case, it took just over four weeks to enter into the contract. How will you deal with a grave emergency? | OIST will determine the risk resulting from urgency, in the light of budget restrictions. |
| We see no problem with the procedures. | - |

(3) Schedule for the next meeting and the member responsible for selecting the subject matters

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

July, 2013 To be held in Tokyo

It is expected that the member responsible for the subject matters will be Dr. Namerikawa.

(Mr. Nozato → Mr. Tada → Dr. Kusunoki → Dr. Namerikawa → Mr. Shimura → Mr. Kashitani → Mr. Seike)

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