

Condensed Minutes of the Fifth Session of the Contract Review Committee

Okinawa Institute of Science and Technology (OIST) Graduate University

1. Date Wednesday, January 22, 2014 from 14:00 to 16:00
2. Venue Meeting Room A150, OIST
3. Members Yo Nozato, Takao Kashitani, Toshiaki Tada, Naoto Uchima, and Takayuki Seike (Absent: Shigeki Kusunoki, Susumu Namerikawa)
Observers: Kiyotaka Soma and Koji Matsuda (Auditors of OIST)
4. Summary of the Proceedings

(1) Sampling the contracts to be discussed

It was reported that Mr. Uchima sampled eight contracts from the 165 contracts subject to review, by contract type.

(Three general bidding contracts, one general evaluation method contract, one negotiated contract signed after public announcement, two negotiated contracts signed with specially appointed companies, and one negotiated contract signed after competitive quotations)

(2) Discussion on individual contracts

1) The purchase of a set of pulsed ultraviolet laser induced optical system

Comments and opinions by the Committee	Explanations, etc. by the secretariat
<p>You said that the previous discount rate was used for the estimated price of the contract. Does it mean that the discount price for research equipment is always fixed?</p> <p>The discount rate for some types of equipment tends to increase as time passes (i.e. as the model becomes older), or vice versa. What kinds of discussions did you have for the contract, regarding the discount rate?</p>	<p>Normally, the discount rates for pieces of physiochemical equipment hardly change. Therefore, we used the previous discount rate for the contract.</p>

<p>Did you compare the discount rate with ones offered to other institutes?</p>	<p>The contract is for the upgrade of the existing microscope. When we procured the microscope, we asked other national universities and research institutes about the discount rate.</p>
<p>How frequently do you upgrade the equipment?</p>	<p>The microscope operation rate is high. Therefore, we upgrade the microscope almost every year.</p>
<p>When a manufacturer introduces a new microscope model, the discount rate for the old model and the new model should be different. There should be room for price negotiations when purchasing an old model.</p>	<p>As you pointed out, when purchasing an old model, we will conduct price negotiations because the discount rate is expected to be larger. However, OIST is conducting cutting-edge research. Therefore, it is expected that products with better performance will be preferred. If there is a new model in the market, OIST will not purchase an old one.</p>

2) The purchase of a set of wireless access points

Comments and opinions by the Committee	Explanations, etc. by the secretariat
<p>You said that you have obtained quotations from four suppliers. Are there cases where, on examination of the quotations, agency A supplies some of the products at the cheapest price and agency B supplies other products at the cheapest price? What would you do in that case?</p>	<p>We have procured some of the products included in the contract in the past. Therefore, the price at which we procured the products was used as the estimated price for those products. In cases where all products included in the contract are new procurements, we do sometimes purchase some products from one agency and other products from another agency, when they offer cheaper prices.</p>

<p>The date of quotation for CTC reads October 7 and the date for bidding was October 3. Can you call a document produced after bidding a “quotation”?</p>	<p>The contractor made a successful bid in the second bidding. There was not enough time to prepare a quotation on the spot, before the bidding. When bidding is conducted multiple times such as this one, we sometimes have to ask the contractor to submit a quotation which states their bid price at a later date.</p>
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3) The construction of laboratory III and other construction work

Comments and opinions by the Committee	Explanations, etc. by the secretariat
<p>Did you analyze the reasons why the project ended up being unsuccessful last fiscal year?</p>	<p>The budget was made two years ago. The unit costs of materials and labor have surged over the past two years. The construction industry is putting much of their resources into reconstruction projects after the Great East Japan Earthquake. In particular, there is a shortage of foremen.</p>
<p>Are you referring to the national standards for unit labor costs?</p>	<p>Yes, we are. We refer to the estimation standards of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).</p>
<p>Did companies from Okinawa Prefecture participate in the bidding?</p>	<p>We set the qualification for participating in the competitive bidding in such a way that companies of the prefecture could participate in the bidding. In the end, some local companies participated in the first bidding, but no local company participated from the second bidding onwards (although they were announced publicly).</p>

<p>Did you publicly announce the bidding for foreign companies?</p>	<p>In light of the fact that no foreign companies made a successful bid in the first and second competitive bidding, we made a public announcement in English as well as in Japanese in order to show them that we are serious about inviting foreign companies to participate in the bidding. This way we also encouraged already participating companies to become more competitive.</p>
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4) Electrical installation work for the newly constructed laboratory III

Comments and opinions by the Committee	Explanations, etc. by the secretariat
<p>You said that you used the general evaluation method for selecting the contractor. Could you explain to me exactly which part of the execution scheme submitted by the successful contractor was superior?</p>	<p>We evaluated candidates with regard to the appropriateness of the execution schemes, the past performance of the technical supervisors who would be deployed, the levels of understanding about the construction work involved, and the abilities of the engineers who will be deployed. The successful contractor had the highest mark for all these items.</p>
<p>I understand that multiple committee members discuss among themselves when evaluating each item regarding candidates' abilities. Do you have internal evaluation criteria when discussing and evaluating candidates?</p>	<p>We have a specified set of points for the evaluation of each item, but we do not have objective numerical criteria.</p>

<p>I understand that standardization is difficult for general evaluation. However, in our case, we decide to a certain extent the objective numerical criteria beforehand, in order to ensure that, whoever the committee members might be, the candidates can be evaluated in an equal manner to the maximum extent possible. For example, you could at least decide keywords beforehand.</p>	<p>We will think about doing this for future evaluations.</p>
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5) The obtainment of permissions and the creating of designs for construction area
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Comments and opinions by the Committee	Explanations, etc. by the secretariat
<p>What is the difference between the “public announcement for participant confirmation” and general competitive bidding?</p>	<p>The “public announcement for participant confirmation” is a method where we publicly announce that OIST is planning to sign a contract with a specific company for XX project, and publicly ask whether any other companies wish to participate in the negotiations, before concluding the contract. This way we encourage more competition than would be the case if we used a simple negotiated contract method. We do not disclose the specific company name when we make the public announcement.</p>

<p>Do you have to divide the construction area into small areas? Integrating the construction area would enable contractors to execute the construction work more systematically and may reduce the total cost.</p>	<p>We decide on the construction areas for which we place orders separately, after comprehensively examining the constraints in terms of time and budget. It is partly true that placing a blanket order for design and execution may be more efficient, for example. However, we also need to consider impartiality, competitiveness and transparency.</p>
<p>The contract price is 76% of the estimated price. Where does this difference come from?</p>	<p>We calculated the estimated price using the MLIT guidelines. For this kind of consultation work, OIST calculates the direct expenses first and then adds a specific percentage of the direct expenses as overhead expenses. In the case of this contract, the contractor probably submitted the lower price than the estimated price as a result of assessing the size and the content of the relevant work.</p>
<p>If you ask companies to use specified formats for quotations, it might become easier to compare between companies or to compare the current contract and past contracts.</p>	<p>For general construction work, a reference quantity table is included in public announcement documents. Therefore, submitted quotations are similar between companies because they refer to the reference numerical values in the table. For consultation work, there are some differences between the quotations submitted by different companies.</p>

6) The purchase of a soundproof chamber for behavior experiments

Comments and opinions by the Committee	Explanations, etc. by the secretariat
Was the initial asking price higher than OIST expected?	Yes, it was. We have purchased the same type of soundproof facility from this company in the past. Therefore, we conducted price negotiations while referring to the price at which we purchased the soundproof facility in the past.
How did you check whether there were any other candidate companies?	This is a special type of construction work where they undertake construction inside a clean room. There is only one company in Japan which can design, procure the materials, and conduct the construction work. In addition, the price that the company quoted was less than five million yen, which was our standard price for the negotiated contract. Therefore, we did not go through the process of “public announcement for participant confirmation.”
You said that there is only one company which could conduct all the construction work. Could you create a competitive environment if the construction work was split into multiple procedures?	It would be difficult to have a contract with ordinary companies because the construction work involves special treatment where all the clothes and the tools to be used have to be sterilized. Employing different companies to design the project, procure the materials and execute the construction work may affect the quality of the work. Therefore, we placed the order with the company which could conduct all the procedures by themselves.

<p>The important thing is to have information that can be used for price negotiations. Therefore, it would be useful for price negotiations if you obtain quotations from companies which can provide part of the goods and services involved in the construction work.</p>	<p>We will think about doing this for future negotiations.</p>
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7) The working design for the Child Development Center

Comments and opinions by the Committee	Explanations, etc. by the secretariat
<p>This is a contract for the working design. Did the same contractor do the basic design for the Child Development Center?</p>	<p>Yes, they did. This work is directly related to the redesigning of housing facilities on campus and the additional design of a nursery, which was contracted through the “public announcement for participant confirmation” in FY 2010. Therefore, this time we concluded a simple negotiated contract with the same contractor.</p>
<p>The working design for the construction of a building is technical and complex. Therefore, the Okinawa prefectural government also signs a negotiated contract for the working design with the same contractor who did the basic design. However, for related civil engineering work, we choose a contractor through a bidding process, rather than contracting with the same contractor.</p>	<p>-</p>

8) The purchase of a set of object lenses for multiphoton excitation laser scanning microscopes

Comments and opinions by the Committee	Explanations, etc. by the secretariat
Are the two companies which submitted the quotations the agents of the manufacturer?	Yes, they are. This manufacturer employs a typical agent system.
Do these agents have the right to decide the price, or, does the manufacturer decide the price?	The agents have the right to decide the price.
Even one yen difference between asking prices would decide which agent wins. I wonder why they quoted exactly the same price. Were they not serious about winning the contract?	It is rare that multiple agents quote exactly the same price, because agents have the right to decide the price.
It is desirable that companies should be told beforehand about the procedures that should be followed in cases where multiple companies quote the same amount in competitive quotations because that the procedures leads to enhance competitive consciousness of companies.	We will consider it.
How do you dispose of equipment which becomes obsolete?	There are only a few cases where we have disposed of equipment, because OIST was only established recently. We have traded some pieces of equipment in for new models.

(3) Actions taken by OIST in response to past recommendations

The secretariat reported actions taken by OIST based on the attached document.

Vice President Maki Kubo reported that the committee chairperson Yo Nozato and the committee member Shigeki Kusunoki (who took the positions in 2009) would step down after the meeting, and that two committee members would be replaced due to personnel changes. Ms. Kubo also gave us well-judged opinions and advice on procurements by OIST and we thanked her for her help.

(5) Schedule for the next meeting

The next meeting will be held in Okinawa or Tokyo in around July 2014, after new committee members have been appointed.

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