

## The Minutes of the 15th Contract Review Committee

Okinawa Institute of Science and Technology School Corporation

1. Date & Time: Tuesday, February 19, 2019, 14:15–16:15
2. Venue: Meeting Room 1, Conference Center, OIST
3. Attending members: Manabu Ofuchi, Yoichi Kagawa, Hidemitsu Sakihama, Itaru Shimizu,  
Hideaki Tanaka, Toshiaki Tada, Susumu Namerikawa

#### 4. Summary of proceedings

- Overview of OIST

The secretariat explained the overview of OIST.

- Agenda

- (1) Selection of projects for deliberation

Mr. Tada reported that two projects had been selected from among the 153 candidates, according to the type of contracts.

(Construction: 1 item, Goods: 1 item)

Reason for selecting the contracts for deliberation

Commissioner in charge: Mr. Tada

[Contracts of Public Construction]

1. Negotiated contract

No. 151: Designing of the power supply, heat source, and air conditioning systems in association with additional server at Lab 1 and other buildings of Okinawa Institute of Science and Technology Graduate University

Reason:

This was a negotiated contract. Given it would seem that there are more than one company that handles the designing of power supply, heat source, and air conditioning systems in association with the installation of additional servers, the reasons that only Company A was to be available to provide the service, and that no competition was allowed, should be verified.

[Contracts for the sale of goods and services]

2. General competitive bidding

No. 43: Purchase of Automated pulsed-field gel electrophoresis analyzer 1sets

Reason:

While this was a general competitive bidding with two bidders participating, the ratio of selling price to estimated price was 100%. Given this was of a relatively large contract at just below 15 million yen, and that there were other bids that ended in similar results, why there was no competitive pressure created, should be verified.

## (2) Deliberation of individual projects

### 1. Case of a single-tender contract

- i). Designing of the power supply, heat source, and air conditioning systems in association with the installation of additional servers at Lab 1 and other buildings of Okinawa Institute of Science and Technology Graduate University

#### <Summary of The Contract>

- This service contract is for the designing of the server power supply, heat source, and air conditioning systems to provide extra 550 kW of power for additional servers newly installed at Server Room (A202) of Lab 1.
- Report on progress

#### (1) Present state of power supply facilities

The OIST Onna campus has two electric power systems, Systems A and B, according to the level of importance of the devices and areas.

System A: Supplies power to “general load” devices

System B: Supplies power to “essential load” devices, supported by a backup system powered by a generator

Systems A and B are designed to have the same capacity. With increases in number of the “essential” devices and requests made by labs, System B is currently handling more power, and the capacity of the extra-high voltage transformer for System B is threatening to reach its limit.

#### (2) Modification of the facilities in association with an additional server

The power supply, heat source and air conditioning systems for the additional server planned to be installed, given their level of importance, should be for a System B supply. However, System B is currently short on capacity, it is necessary to make modifications to keep the extra-high voltage transformer for System B from going over its capacity limit, by arranging some of the supply that is currently coming from System B to be coming from System A.

##### i) Selection of power loads

Selecting power loads from among the existing facilities that may be switched from System B to A, taking the priorities among the loads into account

##### ii) Modification plan

The modification work to switch supply lines is to be performed in principle without causing power outage, so as not to interfere with the research and academic affairs.

- Since this project affects the entire Onna campus, it will cost a large amount of time and money to understand the present situation, make investigations, and develop plans. In addition, the plan will need to take the current operation into consideration.
- Company A has in the past engaged in basic and execution designing for all of the major OIST

buildings, including Center Building and Labs 1-4, as well as the designing and supervision of all of the server facility modification projects. The company is very familiar with the existing facilities and past modifications.

- Using Company A will therefore help make the designing work more efficient, develop a lean plan, and reduce the time spent on investigation and planning, which will translate into an appropriate modification cost planning.
- In addition, Company A has in the past executed two projects of installing additional servers and server racks at OIST, as well as the construction of a new high-voltage electricity room and the installation of additional heat source devices. This means that the company knows well how to perform work with the server running and without necessitating the power supply, heat source, and air conditioning to be turned off, and how to control metal whiskering, a phenomenon of a natural formation of needle-like or nodular single-crystals on a metal surface, which often causes system failures.

Comments from the committee members	Explanation form OIST
<p>OIST has been founded not so long ago, and there is already a power supply shortage. What were the plans back then? It would appear that such a situation could have been predicted.</p> <p>Even with the shortage in power that is required due to the areas of research becoming wider than originally expected, there could have been room for other companies to become contenders, had there been some preparations made sooner?</p> <p>Many have pointed out from all parties concerned that the bidding for contracts must be competitive.</p> <p>While we understand the explanations given by the OIST side, they would still not be good enough if you are to convince outside parties that there really was no possible alternative.</p>	<p style="text-align: center;">—</p>
<p>To clarify, you first make a lot of different preparatory work before you can actually move the power supplies?</p>	<p>Exactly. Moving some of the lines from System B to System A requires preliminary investigation, and that has taken us a lot of time.</p>
<p>Wouldn't the same thing happen again if you are having more research laboratory buildings in the</p>	<p>We are planning to build additional energy centers at Lab 5 to secure power supplies that</p>

future?	may become necessary in the future.
Where this contract is concerned, you will have to be able to show the course of events in which you were compelled to make this particular choice, and offer a convincing answer to any question that may be put to you.	—

2. General competitive bidding

i) Purchase of Automated pulsed-field gel electrophoresis analyzer 1sets

<Summary of The Contract>

- This is a 2D electrophoresis instrument used by DNA Sequencing Section.
- It is capable of isolating high molecular weight DNA faster and with better precision compared to typical pulsed-field gel electrophoresis systems.
- A Company X product was considered as a given.
- As it is a research instrument whose estimated purchase price exceeds 5 million yen, it was selected through a general competitive bidding.
- Although there were two bidders participating, the ratio of selling price to estimated price ended up being 100%.
- The results of target project cost estimation were validated based primarily on the bidders' past deliveries to OIST and other institutions, reference quotes, and listed price certificate.
- Since neither of the manufacturers had previously delivered a product to OIST or provided a written history of deliveries to other institutions, the reference quotes provided by the two companies were compared and the less expensive one was used as the expected price.
- Ultimately both made the bid in the same amount as their respective quotes. As a result, the selling price to asking price ratio was 100%.

Comments from the committee members	Explanation form OIST
Because of the same distributors involved, it may be unavoidable that a reference quote becomes the estimated contract price. It is difficult to appraise devices such as this without technical knowledge.	—
Is it correct that this particular device was specified for this contract?	Due to the special specifications required, models of devices eligible were limited. 2D electrophoresis instruments themselves are

	provided by more than one manufacturer, however.
Was there a possibility of including more than one candidate models in the initial selection stage?	There was a possibility of including more than one candidate if it had been only about the 2D electrophoresis part. For this contract, however, the key was the ability of isolating proteins from a minuscule amount of samples with a high degree of precision.
Are there only two distributors around?	The manufacturer does not have a specific official distributor. For this contract, two vendors who has business relationship with OIST participated in bidding. The bidding was open to other distributors.
Are the two both Okinawa companies?	They are corporations based in Okinawa, both with a parent company on mainland Japan.
Have you looked into the past projects of introduction of this device at other institutions?	We request a written history of deliveries as one of the documents required for bidders to provide, but some manufacturers may choose not to provide one. In the present project, a statement of reasons for not providing a history of deliveries was submitted, explaining that they were “unable to provide such a document as it may be in violation of the Anti-Monopoly Act”. We have not inquired other institutions on this matter.
It is a common practice among state universities to share data on past deliveries. Even that would not be acceptable this time? Is there no way of looking into it independently?	In the cases of regular devices, we would look for bidding information with other universities online. We may directly contact the manufacturer or other institutions to make inquiries for similar projects.
—	Often in the cases of most advanced research devices, they are yet introduced to Japanese institutions, which tends to make it inevitable to estimate project cost based on reference quotes.
(Re: The statement of reasons for not providing	—

<p>a history of deliveries)</p> <p>With respect to the part “a history of past deliveries of the Company X product represents classified information of the relevant institutions and companies” in the first paragraph, such information may be considered classified if they had a non-disclosure agreement that covers the price for the delivered product to such other institution. For the part “it may be in violation of the Anti-Monopoly Act” in the second paragraph, on the other part, the reasoning is not very clear. You could have taken a step further and asked them to elaborate on that reasoning.</p>	
<p>Are there no database to allow state universities to share information with others?</p>	<p>There is no database available to use at present. We use fax or email to make an inquiry with another institution.</p>
<p>Shouldn't MEXT be responsible for building such database for state universities? It only makes sense as it leads to budget cuts.</p>	<p>—</p>

(3) Report and request for advice by OIST (Procurement and Supplies Section)

i). Verification of cost effectiveness of the administrative cost of procurement procedures (Poster presentation won Post Award at Research Manager and Administrator Network Japan 4th Annual Conference; “Does the time spent on procurement procedures really count?: Road to effective procurement cost reduction”)

<Summary of the Report>

- Quantitative analysis was conducted to see how administrative cost associated with procurement, including tendering, may be assessed.
- 500 projects of actual procurement data were selected.
- The process from the determination of the specifications through the awarding of the contract was divided into four stages, and what cost reduction effects may be expected at each point was analyzed.

(1) Initial reference quotes at the time when the specifications are determined are obtained - final reference quotes are obtained;

- (2) Final reference quotes are obtained - estimated price is determined;
- (3) Estimated price is determined - tendering and winning bidder is determined; and
- (4) Winning price is obtained - the final contract price is determined
- Post tender negotiations (i.e. re-negotiation with the lowest successful bidder before the contract is awarded) were tried in seven projects, but it did not prove effective as it did not serve as an effective incentive for a winning bidder to agree to negotiate → Process (4)
- Analysis of data on the selling price to estimated price ratio in tendering → Process (3)
  - a) Approximately two-thirds of the biddings for construction projects which often have large cost cuts have two or more participating bidders, and the selling price is on average lower by 14% than the estimated price.
  - b) With the biddings for research devices which tend to have small cost cuts, on the other hand, 96% have only one bidder participating, and the selling price is on average lower by only 1% than the estimated price.
  - c) OIST holds more bidding for research devices than otherwise, thus spending administrative resources, both in terms of human and time, on tendering procedures for the categories in which the selling price is only 1% lower than the estimated price.
- Where there are only a small number of bidders participating, it is possible that the expectation for the effect of competition to lower the bidding price may be outweighed by the administrative cost associated with the tendering procedures.
- Categories with fewer bidders participating
  - a) Research devices: Specifications tend to be very specific and put limits on potential bidders
  - b) Maintenance services: Only open to those who originally introduced the systems in question
- Without the mechanism of competition at play, no cost reduction can be expected
  - ✓ Researchers request a specific model of device that best meets their research purposes
  - ✓ Manufacturers pursue distinguishing functions for the purpose of differentiation
  - ✓ Compromising on the specifications required for the sake of having more bidders participate is to confuse means with ends.
- In order for a tendering to be effective, it requires real competition with more than two bidders competing one another.
- Regarding the reduction of cost for the process of determining the specification through obtaining the final reference quotes, there were no centralized database as it was a responsibility of individual labs and departments that request procurement. → Process (1)
- Regarding the procurement in the research devices category for which the effect of competition is not working in the tendering procedures, we attempted to verify on a trial basis the cost reduction effects in the process from the determination of specification to the obtaining of reference quotes, with the cooperation of individual labs and departments that request



procurement:

- a) Number of trial projects: 10
  - b) Method: For the model requested for, its competitors were researched, and their competitive quotes obtained. A price negotiation was made, after which the specifications were determined, and specific product was selected.
  - c) Reduction in the quotes: The reduction from the initial quotes offered was 12% on average (smallest reduction was 0.4%; largest 37%). This may be considerably effective considering the expected price reduction is 1% for the tendering procedures that involve similar administrative cost.
  - d) Conclusion: It was shown to be effective. However, the effect of price reduction varied significantly depending on the level of competition, which suggests that it may end up being a waste of administrative cost on the competitor research and negotiation unless the careful choice was made as to which projects to apply this method to.
- Cost reduction effect of target project cost estimation → Process (2)
    - ✓ Tendering for maintenance contracts are often open only to those who originally introduced the systems in question, which tends to prevent the mechanism of competition from working.
    - ✓ It may be effective to validate the price based on in-depth assessment including that of changes in unit cost of technology.
    - ✓ It may also be an option to select a contractor for the initial introduction by taking future maintenance into consideration.
  - Tendering for maintenance contracts see little reduction in bidding prices. That said, in some projects, the estimated price was set lower than the reference quotes based on assessment, etc.
  - For maintenance contracts, if there is only one bidder participating, thorough validation is required in the process of target project cost estimation; otherwise the price may remain high.
  - As a preliminary conclusion, cost reduction effect cannot be expected without the mechanism of competition at play. However, it is important to determine in which stage of the procedure the competition should be created, as the process of focus varies depending on the type of project.
    - a) Research devices: Competition at the stage of determining the specifications is effective.
    - b) Maintenance contracts: Validation during the process of target project cost estimation is effective. Including maintenance services in the contract at the time of initial introduction is also a way to save cost.
    - c) Construction works: Competitive bidding is effective (particularly for civil engineering work).
  - For monopolized categories, price negotiations tend to have little effect of reducing administrative cost.

Comments from the committee members	Explanation from OIST
Are the reduction effects of tendering the same in terms of the monetary amounts and the number of projects?	On a monetary basis, the reduction is by far the greatest in the construction projects.
<p>With respect to the research devices, it would be right to create price competition at the stage of determining the specifications.</p> <p>Demonstrating how much reduction has been achieved as a result of creating price competition could be difficult, although you may be able to do so because it is not done at this point.</p> <p>Would it be possible to demonstrate, say, a 15% reduction has been achieved at the stage of determining the specification compared to the existing method?</p>	<p>It is probably impossible.</p> <p>Because one can choose only one way for one project, i.e. either a competition at the stage of determining specification or in the bidding process, one cannot make a rigorous comparison. At best, we could only discuss overall trends.</p>
If that is the case, how would you explain the price reduction effects?	It will be difficult to show price reduction effects in hard numbers by comparing the real data. For the time being, it may be possible to explain the trends based on some figures using the data for the existing method, although the comparison will have to be made based on different conditions.
The part that you will not be able to explain it (i.e. show it in numbers) later bothers me.	It will need to be addressed.
So I take it that you are to actually do the analysis you just explained about, keep a record of it all, and based on it move on to creating competition at the stage of determining specifications?	That is our idea for the categories where it has promise of being effective.
It will be effective if it is based on the results of empirical analysis.	—
<p>Clearly you have done a lot of research, which I think is great.</p> <p>It is Category Management that I heard about at UK. OIST has been practicing the method of making effective procurement according to the</p>	—

<p>type of goods and services being purchased.</p>	
<p>About the post tender negotiation, is it mentioned in advance in the tender document?</p>	<p>It is mentioned in the tender document.</p> <p>After all bids have been submitted, the results are reserved while the lowest bidder is asked to have a negotiation; when a conclusion is reached, the bidder is made the winning bidder.</p> <p>It is explicitly indicated that the lowest bidder, even if it chooses not to negotiate, will be made the winning bidder.</p>
<p>It would be difficult to reduce the price so long as the specifications are set.</p> <p>It may be possible for the price to change if both the specifications and the price are variable, however.</p>	<p>It may be possible. It will be essential to create competition before the specifications are finalized.</p>
<p>How do you keep a balance between expanding the scope of specifications of your research devices and pursuing your research objectives?</p> <p>While it makes little sense if weighing up the specifications and the price are to compromise results in negatively affecting the research work itself, if a minor compromise on the specifications results in a significant drop in the price, it will be good value for money.</p> <p>In general, if you listen carefully to what researchers want and do market research and reach a conclusion that some compromises on the specification will reduce the price by 20% or so, it will be worth doing it.</p>	<p>Exactly. Balancing it with the research needs, taking budget into consideration, will be of paramount importance.</p>
<p>There are two types of specifications. One is projects of cutting-edge research where one cannot afford to compromise on the specifications to achieve desired research results; the other is where researchers are used to using devices they have used before and that puts restrictions on the specifications. In the latter project, you will want to listen to</p>	<p>There has actually been a project where Procurement and Supplies Section found a device similar to the one researcher had been using and suggested it to them, and they showed an interest and switched to the new one.</p>

<p>researchers about they want to loosen the restrictions, ultimately to cut down on cost in the stage of determining the specifications.</p>	
<p>I would like to ask about the determination of specifications and competition associated with it.</p> <p>About the fully automated pulsed-field gel electrophoresis analyzer we discussed in Item for Deliberation No. 2, what the researchers requested for was a research device capable of recognizing minute differences in DNA, and the Company X product was the one that met the requirements. Didn't it come up as an option to, say, if there was Company Y that makes a device similar to X's, contact Y to suggest it develop a desired product?</p>	<p>Approaching manufacturers for a long-term development strategy is not being considered at present. As for the research device discussed in Item for Deliberation No. 2, the needs were to introduce one as soon as possible. From the standpoint of timely procurement, it would be appropriate to choose strictly from those that are currently available in the market.</p>
<p>In the case of a device for which there are competing manufacturers, you would look into potential alternatives and compare their catalog specifications?</p>	<p>Precisely.</p> <p>For this contract, we went only so far as to confirm that other manufacturers' products were not technologically advanced enough.</p>
<p>—</p>	<p>While few contracts involve competitors on exactly the same level, we would still obtain quotes from manufacturers whose products have specifications are a little inferior. When we let the front-runner know that we are asking their competitors for their quotes, they may sometimes offer a lower price.</p>
<p>Letting them know that you are also considering other options by itself can be a competitive pressure.</p>	<p>Agree. That is precisely what we are aiming at.</p>
<p>—</p>	<p>For instance, researchers who are to have their research devices purchased using Grant-in-Aid for Scientific Research may have a very limited budget and may choose a less expensive option, thinking “the research device we actually want is Model A, but budget-wise we will have to</p>

	<p>settle for Model B”. If, on the other hand, they have an ample budget, they will usually go for the most expensive option that includes “premium” features in the product specifications. It seems very important to verify whether or not these “premium” features are really worth their price.</p>
<p>—</p>	<p>The stage of determining the specifications is also where we can negotiate without showing our hands and allowing them to take advantage of us.</p> <p>Even if it is really Model A that we want the most, doing negotiations pretending we are not that interested in it will create competitive pressure.</p> <p>In the case where our cost-cut efforts were the most successful, the department that requested for procurement did the negotiation with the front-runner while Procurement and Supplies Section reached out to their competing manufacturers and let the front-runner know of the fact. This was an example of where sharing roles helped us have more competitive price offered.</p>
<p>With devices that require maintenance, the contract may cover the procurement part as well as multi-year maintenance services.</p> <p>With the research device in question, is the maintenance of great importance? Or do you handle devices that do not require maintenance separately from those that do?</p>	<p>We have not yet gone into the matter of how to make competition work with maintenance also coming into play.</p> <p>As far as the price of purchase of the device itself, the method we discussed earlier is effective. For maintenance service from the second year onward, there will be no one the seller needs to compete against; it may be an obvious choice for the buyer to make as a part of their long-term strategy to offer maintenance service at an increased price to make up for the discount they gave for the introduction of the</p>

	<p>device itself.</p> <p>When procuring a device, it is important to take future maintenance needs into account, including for how long we are to continue using the device that is being introduced.</p>
<p>Local governments can receive some state subsidies for facilities improvement, but not for maintenance. What I want to ask for reference is whether or not the Board of Audit would accept the explanation that you made a selection that was advantageous when maintenance is taken into account.</p>	<p>OIST operates on a single-year budget. So when we purchase a device itself, we will obtain information about future maintenance expenses as a reference when inviting bids, and use the information as an indicator when making a selection. Incorporating any future maintenance expenses into the contract for the purchase of a device itself, however, will be difficult within the current framework.</p>
<p>In some countries, maintenance services can be linked to performance; for instance, a system failure may result in reduced payment. While such performance-based payment system has its pros and cons, it may potentially merit consideration.</p>	<p>There has probably been no case where they took a full-on performance-based approach. Defining the parts where actual cost can be estimated and awarding a contract at the upper end of the estimates may be useful when putting this concept into practice.</p>

ii) Request for advice for the realization of procedures with cost-saving measures incorporated into them

<Summary of the Report>

- Competition created during the stage of determining the specifications produced a certain degree of results. However, OIST is not seeing such efforts of inducing competition being done in a spontaneous manner.
- Some of the Research Units at OIST are working voluntarily to ensure such competition. We hear that similar efforts are made at a lab level in other universities.
- At OIST, there may not be enough motivation raised for saving cost.
- Meanwhile, Procurement and Supplies Section is feeling stalled with the improvement plans. They have started having some idea of what their challenges are, but not clear about what directions they should take in making improvements.
- What is it that we truly need in our procurement process?
- The purpose of procurement is to supply what is required to pursue a project for the purpose of

accomplishing the organizational goals, in as desirable conditions as possible. Cost saving is but one of the means to achieve it, and competition, too, is merely a means to save cost and secure desirable conditions.

- What comes before and after procurement procedures are budget allocation, and management and use (i.e. how the item/service procured is being used), respectively.
- Within the framework of current rules, competition should occur in the procurement process. In reality, however, the model(s) of a device to be procured is often already narrowed down in the upstream process of making budget requests. In such a case, requests for budget are made and budget allocated for this specified model before moving to the procurement process.
- In this scenario, the specifications are determined for the model specified. A document is created and titled the “Specifications”, but it does not serve its original purpose, i.e. thorough review of requirements specifications, effectively killing off opportunities for competition.
- Due to the structure of the distributorship system, the sales channels become limited as soon as the choice is narrowed down to a specific manufacturer's model; rather than having multiple distributors of the same manufacturer compete one another, it will be necessary to induce competition between different manufacturers.
- The competitive process involves time and trouble as one needs to reach out to multiple companies and ask for several versions of quotes and review the specifications. Unless the unit/section can benefit from any reduced price themselves, it will prove difficult to internally motivate them to save cost.
- In the 13th Procurement Review Committee Meeting, we received a comment that “it is necessary to rationally explain that such specifications would produce intended research results”. Unfortunately, OIST practically has no system to link the specifications to the results at present.
- Under the US procurement framework, there is a concept that, even in the case of only one bidder participating, as long as there is a system of ensuring competition in place, the fact that there is only one bidder in itself is not generally considered to inhibit competition and cause the procurement price to rise.
- If we are to take this as being a rational approach, the challenge is how to focus on the requirements specifications.
- At present, there is no clearly defined system of checking on the post-procurement use of devices and services procured. We would like to propose a cycle of feeding back into future procurement the insights acquired by paying attention to the downstream process of post-procurement use, for instance by checking whether or not the requirements specifications are over- or under-specifications, and how the distinguishing functions are being utilized.
- In the Board of Audit field audit conducted in January 2019, we received the following two characteristic questions:

- i) What are these requirements specifications based on?
- ii) How are these functions utilized?
- One of the reasons for focusing on the post-procurement management and use is to help fulfill accountability, in addition to creating a loop of inducing cost saving.
- What would be the rational ways of assessing to make use of the post-procurement use in determining the specifications for future projects?

Comments from the committee members	Explanation from OST
It appears that you would need a tool for communication between researchers and the procurement department. Ideally, such a tool should be a simple and accessible one.	We recognize it, too; we will try to spread the information internally university-wide.
For instance, you could ask researchers in advance to consider what to procure in terms of anticipation, versatility, and efficiency (repeatability). You could try to weight items for procurement on these three axes.	We probably did not have a clear concept of multiple axes in our past attempts to explain the process of selecting requirements specifications.
It is important to have a baseline axis as you mentioned earlier. You cannot make assessment without setting a baseline (standards).	Exactly. And it is true not only this particular case.
One possible factor is that the existing mode of contracting, while it has given priorities to securing transparency and ensuring competition, has lost substance. What I mean is that some of the contract categories, not everything, have lost substance. How do you handle such contract categories? It may be an idea to bring the perspective of efficient cost saving to front and center, and emphasize the results of such a move.	We will definitely consider it. Enforcement and management of rules requires a certain amount of administrative cost, and as long as there is the cost to be paid, they will have to be workable; otherwise they cannot be considered to serve their functions.
You claimed that the cost-saving incentives are not working at present. But that fact should not renounce cost-saving itself. There should be a system created that gives back to those who have made effort to reduce cost.	As you say. We said that cost-saving is but one of the factors of procurement, it is still an important element of it.
If the cost-saving methods you explained earlier	As we mentioned in our explanations of the



<p>are ways to ensure efficient management, you need to offer sufficient explanations of it.</p>	<p>background, we do recognize the necessity of sharing information on methodology. The possibility that the lack of spontaneous motivation is caused by simple ignorance of how to do so should be eliminated if the information is widely shared.</p>
<p>You may be able to compare the standard amount of discount based on the existing methods with that based on the new procurement efforts you intend to make, and can claim the results as sufficient.</p> <p>You may want to review the prices that can be compared.</p>	<p>In the market of educational field, there are very rigid, traditional elements that are the “catalog prices” and “discount rates”. We may be able to turn them into good references for comparison.</p>
<p>I suggest you could try, and then validate, new methods for items with known standard price, within the predetermined timeframe, such as three years.</p> <p>During this trial period, you could also educate people. It may also be necessary to promote cost-saving activities in wider areas, including other research institutions.</p>	<p>As there is a motivation issue at present, we would try new methods while sharing them and balance them with other values. Expanding them to reach outside institutions will have to come next.</p>
<p>The Board of Audit will require accountability on transparency and competition, and it is of course necessary. They should accept it if you offer explanations based on a complete set of data as evidence.</p>	<p>Agree. Even if you are satisfied with yourself for securing practical benefit, you cannot satisfy the value of administrative function if you are unable to offer explanations externally.</p>
<p>Assessment is necessary for items with restricted specifications. You will need more experience to be able to offer explanations using objective figures.</p> <p>If the reason why a researcher puts restrictions on the specifications is that “they want to buy this research device because it should enable them to conduct advanced research”, you should explain whether or not it has really translated into actual research results as a part of self-</p>	<p>We would like to give it a consideration, including the baseline factor you suggested. As was discussed in the last field audit, however, quantification of performance indicators is extremely hard. In the cases of one-off procurement, in particular, relationship will be especially weak. For these reasons, we will have to focus on two factors: post-procurement use and medium-to long-term time axis.</p>

<p>evaluation. You should be able to say that “I can show this clearly and objectively, based on these numbers”.</p> <p>Of course, it will be hard to get there all at once.</p>	
<p>Whether or not the process of self-evaluation or the subject of comparison is objectively convincing is to be evaluated by a third party; making absolute estimation is impossible.</p>	<p>Agree. It will be essential to have a third party's views, from the standpoint of ensuring objectivity, too.</p>
<p>The Board of Audit will require explanations on transparency and competition, so it is important to offer explanations on the results.</p> <p>You need to have carried out self-evaluation properly regarding the results of putting restrictions on the specifications. It may be useful to create a workflow for it.</p> <p>Although different researchers will express the results in different manners, you need to be able to justify the validity of your method by linking your explanations to it.</p>	<p>We will try to make it so that we can give priority to checking the linking of the requirements specifications and how they were selected in the context of the process. What is important is to have a mindset of taking initiative in explaining the results, and if the ways how individuals explain them vary among them, it should be accepted in a broad point of view. For this, multiple axes will be required at baseline.</p>
<p>Regarding the first feedback, you need to have the criteria for evaluation determined in advance.</p> <p>You need to have agreed on the evaluation criteria in advance between researchers and the procurement department. You cannot make evaluation without criteria, but they should not be complex criteria.</p>	<p>Agree. We will take particular care that they are simple, including baseline setting and communication means.</p>
<p>There are budget restrictions, and some may consider these restrictions as affecting individual researchers while others may think them as organization-wide restrictions.</p> <p>Restrictions on individual researchers and those on the organization as a whole differ substantially, and you might want to take this into account in creating incentives.</p>	<p>Understood. One of the factors that inhibit spontaneous motivation may lie in the difference of structures of the receiving end of the restrictions. We have not given much thought to it in the past, so we will now.</p>
<p>When talking about future, you need to focus on</p>	<p>Understood.</p>

<p>the fact that the purpose of procurement is to improve value for money and that procurement involves administrative cost.</p> <p>A common assumption is that there is no administrative cost incurred in the government procurement.</p> <p>That is not true. If they are better staffed, there may be further room for cutting procurement expenses. There may be limits to this, but you need to focus on the parts where administrative cost is incurred with staffing restrictions.</p> <p>As has been explained earlier, the key is to build up know-hows for different categories.</p>	
---	--

- (4) Schedule for the next committee and the committee members responsible for extracting cases  
The following plans were suggested by the secretariat and approved by the committee:

The next committee is scheduled to take place in Tokyo in July 2019 (TBD)

The committee member responsible for the next extraction of cases will be Mr. Tanaka.  
(Mr. Tada → Mr. Tanaka → Mr. Namerikawa → Mr. Kagawa → Mr. Sakihama → Mr. Shimizu → Mr. Ofuchi)