

The Minutes of the 16th Contract Review Committee

Okinawa Institute of Science and Technology School Corporation

1. Date: Friday, July 26, 2019 09:30 – 11:30
2. Venue: Middle 1, Conference Square M+
3. Participants (members): Mr. Manabu Ofuchi, Mr. Hidemitsu Sakihama, Mr. Tonio Shimabukuro,
Mr. Itaru Shimizu, Mr. Hideaki Tanaka, Mr. Toshiaki Tada and
Mr. Susumu Namerikawa
4. Summary of proceedings
 - OIST overview

An overview of OIST was given by the secretariat.
 - Agenda
 - (1) Selection of projects for deliberation

Mr. Tanaka reported that two projects had been selected from among 27 candidates, according to the type of contracts.
(Construction: 1 item, Sale of goods and services: 1 item)

Reasons for selecting the contracts for deliberation

Commissioner in charge: Mr. Tanaka

[Contract for Public construction]

1. General competitive bidding

No. 14: Project to reinforce the water intake functions of the Marine Science Station of Okinawa Institute of Science and Technology Graduate University

Reason for the selection:

Reasons include the large monetary amount of the contract, the fact that there was only one bidder in the tender and the need to confirm how the comprehensive evaluation bidding system has been applied.

[Contract for sale of goods and services]

2. Negotiated contract

No. 24: Pantheon Hosting Service

Reason for the selection:

Reasons include the large monetary amount of the contract, the need to verify the justification for the negotiated contract and the need to confirm the reason why general competitive bidding could not be carried out.

(2) Deliberation regarding individual agenda items

① General competitive bidding

Project to reinforce the water intake functions of the Marine Science Station of Okinawa Institute of Science and Technology Graduate University

<Explanation on the summary>

- Work to install water intake pipes to supply seawater to the OIST Marine Science Station to be built in Seragaki Fishing Port
- The contractor will carry out this construction taking full responsibility for all stages from surveying to research, design, construction and construction management.
- The contractor will be selected through the comprehensive evaluation bidding system.
- The purpose of this construction is to change the water intake method and the water intake depth of the seawater facility that supplies seawater to the Marine Science Station and ensure a stable year-round supply of seawater at optimal water temperature and water quality for raising marine organisms required for research.
- It is presumed that there was only one bidder because the construction would take place in a section of the sea with high waves; because the provision of a stable supply of clean seawater was a condition of this contract; and because the other contractors were busy, etc.
- When the basic plan was drafted, several contractors were interviewed and in light of the status of damages from previous typhoons, OIST settled on the construction method, which would meet the installation requirements of the seawater facility.
- The reasons why the comprehensive evaluation bidding system was adopted
 - ① Because conventional competitive bidding processes posed the major problem of not being able to eliminate contractors with questionable execution capabilities.
 - ② Given that this would be a special kind of construction, it was believed that conducting an evaluation of the construction technology in line with the surrounding environment, would enable OIST to raise the quality of the construction, shorten the construction period, reduce total costs including running costs and meet social demands such as the protection of the natural environment.
 - ③ It was determined that a comprehensive evaluation of the technological capabilities and construction price was necessary.
- Benefits of a blanket order
 - ① Responsibility for the research, design and construction can be centralized.

- ② The duration of the project can also be shortened because it will allow for a smooth transition from research to design and to construction.
- ③ As this budget was a supplementary budget, quick execution was required. Accordingly, a smooth transition to the project was required.
- ④ The blanket order allowed OIST to expedite the finalization of the business costs.

Comments from the committee members	Explanation from OIST
<p>Did OIST hold a briefing session for the construction? How many contractors attended the briefing session? Has the successful bidder undertaken other similar construction projects?</p>	<p>Since the project was tendered through electronic bidding, there was no briefing session, as such, with all the contractors present.</p> <p>In the planning stage, we interviewed several contractors and gathered information on construction methods.</p> <p>During these interviews, we learned of cases of similar constructions where the design and construction work had been ordered separately, and when damage occurred during construction, a separate contractor had to do the design over again but other problems occurred, such as flaws in the ground, resulting in the suspension of the construction.</p> <p>We assumed that by placing a blanket order for research, design and construction, the chain of responsibility would be clarified and that the flaws in the construction would be eliminated.</p> <p>In fact, only one group joined the bidding. We believe that this was because it was around the time of supplementary budgets and not many contractors could join the bidding at this time.</p>
<p>Why was the successful bidder able to participate?</p>	<p>This contractor had been enthusiastic from the interview stage and had made various proposals. However, in order to</p>

	prevent the information from becoming biased, we conducted interviews with a number of contractors.
Has the facility commenced operations?	It is currently being designed.
In a comprehensive evaluation bidding system, when there is only one bidder, will it not end up being a mere confirmation of the minimum requirements? If, for example, the only bidder was of questionable quality, will there be a retendering?	Evaluation criteria have been set for each evaluation item in the evaluation document and if the evaluation is “Inappropriate,” the bidder will be given a “Disqualification.” Even in tenders with only one bidder, if a “Disqualification” evaluation is given, the contract cannot be awarded.
Given that the JV system was adopted, were any predictions made on how many contractors would participate in the bidding?	As OIST does not use registration systems such as CORINS (Note 1), we did not make any predictions on the number of bidders. However, judging from the advance interviews, we had assumed that a number of contractors would make a bid. (Note 1) CORINS/TECRIS is an information database of construction and project records which gathers the records of public works and projects contracted by companies and which allows both the public organizations, which are the project owners, and the contracting companies to share and utilize such information.
With interviews, only the contractors that OIST is familiar with will be contacted. Isn't it necessary to use systems such as the CORINS to get to know contractors with track records on a national level? Public organizations such as the national and prefectural governments use the	—

<p>system.</p>	
<p>The tenders of public organizations are generally based on the concept of separate and divide. Accordingly, the design and construction elements are conducted separately in many cases. In this contract, the conditions for the JV specify similar construction companies. As for the JV, didn't anybody think of the combination of a civil engineering consultant for the design and a construction firm for the construction work?</p>	<p>OIST did not have the information on consultants specializing in this type of specific port construction work. From the advance interviews, we decided that it was not necessary to focus on the JV with consultants.</p>
<p>When the JV consists exclusively of construction companies, there are concerns about whether the design will be appropriately handled.</p> <p>When conducting the evaluation, did you find out whether the bidder had a design division and did you research the bidder's design track record?</p>	<p>With regard to design, it is defined in the eligibility requirements for taking part in the tender. And we confirmed that the bidder had met these requirements.</p>
<p>What were the eligibility requirements?</p>	<p>The eligibility requirements specify that the person in charge of design must be a First-Class Architect, a professional engineer pursuant to the Professional Engineer Act or a supervising engineer with qualifications that are equivalent or higher. Additionally, the person in charge of the construction must be a First-Class Civil Engineering Works Execution Managing Engineer or an engineer with qualifications that are equivalent or higher.</p> <p>Furthermore, in the comprehensive evaluation, the criteria for design specifies "a design concept, hydraulic calculations, a general form of the water</p>

	<p>inlet, the grounds for determining the type of pipes and a proposal of measures to protect the water inlet and intake pipes from high waves.”</p> <p>Screening was conducted under the condition that the candidate would be disqualified if deemed lacking in design capabilities in the written proposal.</p>
<p>There are very few examples of public organizations giving out blanket orders including design to construction companies.</p> <p>When a construction company wins the bid and contracts out the project to a consultant, there is a possibility that the quality of the project will not be maintained.</p> <p>If blanket orders are to be given, going forward it would probably be better to establish conditions that would ensure the design is conducted from an equal footing, such as a JV with a design consultant.</p> <p>In my opinion, it is probably better to place separate and divided orders whenever possible.</p>	<p>In the future, we plan to reflect the methods for setting conditions when placing orders that combine design and construction, as you have pointed out, and methods of predicting the number of potential contractors.</p>
<p>What was the score of the successful bidder in the comprehensive evaluation?</p> <p>Given that there was only one bidder, does this mean that the project would have been awarded to this bidder as long as there were no disqualifying conditions?</p>	<p>In the comprehensive evaluation, the bidder scored 16.8 out of 30.</p>
<p>Is 16.8 an acceptable score in the comprehensive evaluation?</p>	<p>There will be a certain amount of variation in the scores according to the evaluations of the members of the procurement committee.</p>

	<p>Given that there was only one bidder this time and we could not compare the bidder with other contractors, I cannot say for sure but since the bidder did not have any “Disqualifications” and scored more than half of the points, the bidder is thought to be on acceptable levels.</p>
<p>I think adopting the design-build system was an effective move, given that, in this project, changes could occur after the commencement of construction.</p> <p>For OIST, this system with centralized responsibility would be convenient considering the risk of design changes. However, isn't this being perceived as a risk by the contractor?</p> <p>Additionally, the time of order is the end of the year.</p> <p>If we want to avoid tenders with single bidders in the future, I think we should take into account these two points.</p>	<p>In this project, we went ahead and placed the order with no experience of offshore engineering and with little information.</p> <p>I regret that we didn't make enough efforts to reduce the risks associated with placing the order for the project.</p>
<p>We will review the background of how this became a tender with only one bidder. It is important that the results are also reviewed to see whether the project was completed properly including the risk of changes during the construction and that such information is utilized in future tenders.</p>	<p>—</p>

2. Negotiated contract
Pantheon Hosting Service

<Explanation on the summary>

- Hosting services and security support for transitioning to Pantheon cloud services for the purpose of consolidating the OIST website.
- Pantheon Systems, Inc. (“Pantheon”) provides cloud hosting, security updates, management support and an integrated platform for web development.
- We compared the usability, development environment and management structure of the 13 candidates and Pantheon was selected as the counterparty because it met all the conditions required by OIST.
- Compared to the previous hosting vendors, which were selected mainly for their customization qualities, the transition to Pantheon cloud services has made it possible to directly set the cloud resources and led to the reduction in the man-hours of the staff involved in its administration.
- The reason why general competitive bidding was not used
The negotiated contract was used because given that a direct contract with Pantheon was possible, there was no room to consider general competitive bidding for the purchase or the contract.

Comments from the committee members	Explanation from OIST
Has OIST used domestic vendors for hosting services until now?	We had previously contracted an overseas vendor but it was taking so much time for development and administration on the OIST side that we were considering purchasing products from other companies.
Is Pantheon an American company? Does it have a distributor in Japan?	Yes, it is an American company and it has no distributor in Japan. We were able to conclude a direct contract for these services.
Will OIST be able to receive services such as maintenance appropriately without a distributor in Japan?	There will be no problems with the services. We will move the existing content to Pantheon’s server and receive Pantheon’s hosting services for one year.
Will the services be user-friendly for	We became able to entrust the work that

OIST?	OIST had been doing to Pantheon.
A negotiated contract will require price negotiations. How was the target price calculated?	In this case, we decided that a comparison with public estimation materials (e.g. unit price of a system engineer per day) would not be appropriate, and accordingly set the provisional quotation as the target price.
In the price negotiations, how did you set the reasonable price on the part of OIST?	When submitting the provisional quotation, price negotiations had already taken place between the originating division (Digital Services Section) and Pantheon.
Although this is a new contract, what was the contract amount with the previous counterparty?	The contract amount was approximately 5.5 million yen.
How much is the new contact?	The new contract is approximately 39.0 million yen. Under the previous service contract, the system was operated and managed by having two OIST employees on constant duty. These two employees resigned. Considering we outsource this work, the new contract is not necessarily that expensive.
Does that mean you made comparisons including the personnel costs of two employees?	We made comparisons that included personnel costs and system migration.
I think an explanation of the situation including the personnel costs, system migration and usability, should be given. Additionally, materials that include research on the prices of other vendors should be provided as grounds for concluding a negotiated contract.	—
Was research conducted on other companies using Pantheon's services?	We did not research Pantheon's work with other companies.

<p>How did you find Pantheon's services?</p>	<p>The person in charge of the originating division conducted a benchmark study and found Pantheon's services.</p>
<p>OIST is required to properly explain why it concluded a negotiated contract.</p> <p>We are not saying that it is wrong to conclude a negotiated contract but unless OIST can prove that a negotiated contract results in better performance, it will be subject to superficial criticism saying that OIST is concluding "too many negotiated contracts."</p>	<p>—</p>

(3) Report and request for advice by OIST

① The Budget Execution Examination by the Ministry of Finance (MOF)

<Explanation on the summary>

- The results of the MOF Budget Execution Examination for 2019 was announced on June 25, 2019.
- Overview of the Budget Execution Examination
 - ✓ Efforts to review the budget and enhance the efficiency of budget execution by having staff in charge of the budget at the Budget Bureau of the Ministry of Finance and staff of the Local Finance Bureaus conduct surveys on the status of budget execution and point out areas for improvement.
 - ✓ The survey has been conducted every year since FY2002.
 - ✓ The cases subject to the examination are announced each year around March or April. This year they were announced on March 26.
 - ✓ There were 44 cases subject to the examination this year and OIST was included. (There are 40 to 50 cases each year.)
 - ✓ The onsite survey of OIST was conducted by MOF employees in late April.
 - ✓ The onsite survey was conducted through interviews and the submission of documents.
- Points of view of OIST's Budget Execution Examination
 - ① The results of the research generated as a result of the public funds
 - ② Status of obtaining external funds
 - ③ Business evaluations and faculty evaluations
 - ④ Procurement and facility maintenance
- Materials of the Budget Execution Examination, excerpts from the General Survey sheet (Source: Ministry of Finance)

4. Procurement and facility maintenance
② Survey point of view Are efficient and truly competitive methods used in the procurement of research equipment, the maintenance of facilities, etc.?
③ Survey results and their analysis (1) As for the equipment purchase contract results at OIST, the percentage of 100% winning bid rate contracts and negotiated contracts account for a large number of contracts contracted by competitive bidding. ([Table 8] Contract status of equipment purchase cost (Last 3 years) has been

omitted.)

- (2) In terms of OIST's facility construction, the construction cost is at a high level when compared with the various facility construction costs of national universities in Japan.

([Table 9] Comparison of the construction unit prices of OIST research buildings and (Reference) Cost per square meter of various facilities of national universities (FY13-17) have been omitted.)

④ Future improvements and directionality of examination

- With regard to procurement, in the cases of negotiated contracts, the contracts should be made after verifying the procurement price individually and based on the results, the standards and procedures of the negotiated contracts should be reviewed, including the reduction of the small negotiated contract standards, etc.

Also, in principle, competitive bidding should be carried out after considering specifications that include similar or same equipment and devices without excessively restricting specifications, in order to use competitive contracts.

At that time, the bidding procedure does not function as there are occasions when contracts with 100% winning bid rates are found, etc., and it should be reviewed including its legitimacy and fairness to conduct a fundamental review.

- With regard to facility construction, unless there are special circumstances, cost reduction should be made based on levels up to the construction expenses of similar facilities at national universities, and for facility construction beyond this, it should be implemented utilizing external funds and OIST's funds.

- The budget for each fiscal year should reflect the streamlining of procurement and facility maintenance.

● Comments from OIST (Summary)

- ✓ As reported at this Committee, OIST has been making various efforts, in light of OIST's unique situation, to contribute to optimal procurement for researchers as well as reducing costs.
- ✓ We will continue to make efforts to support research activities as well as reducing costs.

- ✓ Given that it is OIST's mission to do things that other universities cannot, even in terms of administration, OIST finds it unacceptable to be held up against the same standards as the other Independent Administrative Institutions (IAIs).
- ✓ Especially with regard to the reduction of the criteria for negotiated contracts, it is truly regrettable that we received such comments without the opportunity for discussion or rebuttal.
- ✓ Comments by OIST addressed to the MOF have been summarized in the "OIST comments," and we ask the Committee for its opinions on this matter.
- ✓ The following is the section relating to procurement excerpted from "OIST comments."

- ✓ Due to the nature of the advanced research of OIST, many cases of procurement are to purchase cutting-edge or specialized research equipment that only one vendor is able to provide. Under such situation, OIST has been examining what kind of procurement method is appropriate considering the peculiarities of the equipment and services and has been making various measures and improvements, instead of applying general competitive bidding uniformly, which requires time and man-hours.
- ✓ With regard to negotiated contracts, upon the transition from IAI which had similar criteria for negotiated contracts to specially established school corporation (2011), OIST had changed its criteria for the small-amount negotiated contract and developed the excellent international research environment by streamlining the procurement procedures.
- ✓ The ultimate purpose of procurement is to provide goods and services that meet the purpose of the research in a timely manner within the budget restriction and to contribute to the development of a research and education environment which is attractive for researchers.
- ✓ In addition, while optimizing the tender procedures, it is also necessary to reduce the costs for procurement activities by selecting the most appropriate procurement method. We would get our priorities wrong if we were to hinder research activities by spending too much time and cost on these procedures.

Comments from the committee members	Explanation from OIST
Since OIST has been making efforts to	OIST's opinions have been summarized in

improve its procurement activities it should properly summarize its opinions.	the “OIST comments.”
Specifically, what type of examination was conducted on procurement?	We submitted a list of contracts in advance. In the course of the examination, we explained the situation surrounding the increase in negotiated contracts and contracts with 100% winning bid rates but with regard to the reduction of the criteria for negotiated contracts, we received no questions in advance and there was no discussion on the day of the onsite survey.
The comments on the criteria for negotiated contracts and general competitive bidding seem to be perfunctory.	—
Will OIST need to explain itself regarding this year’s examination results when requesting next year’s budget?	OIST does not necessarily need to bring it up. However, when conducting assessments, the MOF may make comments based on the results of this examination.
—	In last year’s Budget Execution Examination, the MOF made similar comments to other national universities. We think that the MOF is making the same comments to all national universities.
OIST should decide how this will be handled. For example, posting this on OIST’s website or explaining OIST’s position to the MOF.	—
OIST needs to continue explaining its position from the standpoint of better procurement.	—
As pointed out by the MOF, merely	—

<p>reducing the criteria for negotiated contracts and increasing competitive bidding will not lead to good procurement.</p>	
<p>OIST will need to be accountable to third parties regarding its procurement, as it had done so in the past.</p>	<p>—</p>
<p>—</p>	<p>It is a difficult task to have the faculty understand the mechanism of procurement when more than half of the faculty are foreign nationals, which is a unique feature of OIST.</p> <p>For the foreign faculty members, it seems odd that procurement is taking so long.</p> <p>From the administrative side of procurement, when concluding negotiated contracts, we need to construct a sound theory and in order to do so, we need to gather various information. This gathering of information takes time. We hope that the Committee is sympathetic to this point.</p>
<p>We understand that similar comments are being made nationwide and that OIST has unique circumstances.</p> <p>Is the percentage of negotiated contracts by OIST (40% in FY2017) particularly high compared to the other national universities?</p>	<p>OIST's percentage is not particularly high.</p>
<p>Generally, it is said that IAIs have proper bidding procedures while national universities have a higher rate of negotiated contracts.</p> <p>However, among organizations involved in state-of-the-art research, the percentage of negotiated contracts is not necessarily low.</p>	<p>—</p>

<p>I think it largely depends on the activities of the organization.</p>	
<p>I believe the percentage of 100% winning bid rate contracts will attract perfunctory comments.</p> <p>I think you should leave a clear record of why the percentage is 100% and the negotiations leading to the near 100% percentage.</p> <p>On the surface, the winning bid rate may be 100% but it is important that you can explain why it turned out that way.</p>	<p>—</p>
<p>—</p>	<p>In the procurement of research equipment, there are cases of bidding with a single bidder.</p> <p>Because we calculate the target price using the generally accepted listed price and discount rates, the winning rate turns out to be nearly 100%.</p>
<p>Regarding “(2) OIST’s facility construction”, under “③ Survey results and their analysis” in the General Survey sheet, it points out that the OIST’s constructions costs are at high levels. What specifically are the factors behind this?</p>	<p>The cost per square meter at OIST is 520,000 to 540,000 yen, whereas it is around 300,000 yen at the other national universities.</p> <p>The factors behind this discrepancy are geographical: OIST is in Okinawa and the construction sites are in hilly areas.</p> <p>It is also crucial that we provide a good research environment. OIST provides high-performance facilities in line with the research themes.</p> <p>These two factors are raising construction costs.</p> <p>Furthermore, each floor has an ISS (intermediate facilities floor), where equipment and facilities can be renewed while continuing with the research. The</p>

	<p>highest priority of our facilities is to provide a good research environment.</p> <p>Because this is Okinawa, we need measures against typhoons, wind pressure, salt damage and other natural phenomena, which result in higher construction costs.</p>
<p>Using custom-made items will raise costs and will entail high repair costs. Therefore, unless efforts are made to cut back on costs, by using general-purpose items whenever possible, maintenance costs will soar going forward. You should remember this point in the future.</p>	—
—	<p>OIST has summarized its opinions in the “OIST comments” and we would like to confirm whether our opinions align with the Committee’s approach to procurement.</p>
<p>Procurement is, after all, a means to an end and it is significant only in the sense that it contributes to enhancing the performance of research activities. Therefore, we believe that it is not necessary to “reduce the criteria of negotiated contracts.”</p> <p>We hope that you continue to make efforts toward the procurement OIST has been engaged in.</p>	—

- ② Request for advice on the permissible range of negotiations on the terms and conditions of the contract after the successful bidder has been determined (Concerns over its impact on the fairness of the competition)

<Explanation on the summary>

- Understanding of OIST contract procedures

If during the period after the successful bidder has been determined and before the conclusion of the contract (“standstill period”), we are asked to engage in negotiations of the terms and conditions of the contract, we have a number of questions as to whether we should engage in such negotiations.

[Question 1] Changes to the terms and conditions during the standstill period has the risk of undermining the assumption of the competition. Therefore, we question whether this may be perceived as being fair.

- ✓ In our tender procedures, we give public notice of OIST’s standard contract and it is assumed that the tenders will be submitted under these terms and conditions. However, given that the standard contract has been designed so that special covenants may be added, we believe that adjustments are within the permissible range of the publicly notified terms and conditions.
- ✓ On the other hand, as the contract’s terms and conditions contain elements that could impact the submitted price, we fear that readily permitting changes would undermine the assumption of the competition.
- ✓ Negotiations over the terms and conditions of the contract also contain conditions that could significantly impact the submitted quotation amount, including inspection conditions, payment terms, guarantee against defects and the maximum compensation for damages.

[Question 2] If the terms and conditions of the contract are to be negotiable until the execution of the contract, then what is the permissible range?

- ✓ We researched the status of other universities, but their policies varied.

Comments from the committee members	Explanation from OIST
—	We would like to ask the members of the Committee whether changes to the term and conditions of the contract is permitted after the successful bidder is determined until the conclusion of the contract. And if so, what is the permissible range?
To what extent changes to the terms and conditions are permitted after the bid is won is a difficult question from the standpoint of fairness. Additionally, we must also be attentive to whether it is consistent with the initial	—

<p>tender.</p> <p>If a tender is submitted with the condition “A” but subsequently changed to condition “B,” and if there is a significant difference between “A” and “B,” it will not be consistent with the initial tender.</p> <p>Fairness will work to the advantage of the party making the bid.</p> <p>As a benefit for OIST, there is the possibility that by changing the condition to “B,” more vendors will compete and bring down the price.</p> <p>However, such situations could also pose the problem of gains and losses for OIST. Given that certain aspects only come to light at the contract negotiations, the permissible range should not be defined too strictly.</p> <p>The basic premise is to not allow for intentional changes.</p> <p>If the terms and conditions are changed to such an extent that the purpose of the tender has changed, then, I think, it will need to be retendered.</p> <p>As retenders are out of the question for public agencies, and while OIST is not a public agency, it should not be taken lightly.</p> <p>When retendering, an explanation needs to be given to the effect that the specifications and terms and conditions had changed significantly from the initial tender and that it is a completely different project. In such cases, OIST must make this point clear and obtain the consent of the vendor who had won the original bid.</p>	
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—	We are aware that it will become a different project once the purpose has changed or the specifications have changed significantly.
—	<p>In responding to the terms and conditions (inspection, payment of contract amount, guarantee against defects) such as those indicated above excerpted from OIST's standard contract, some bidders might take the conditions literally and submit tenders while others might submit tenders assuming negotiations to change the terms and conditions after winning the bid.</p> <p>We are concerned that in such situations the assumptions of the bidders will be undermined by leaving room for changes.</p>
—	So, are we correct to assume that it is basically better not to allow changes to the terms and conditions from the standpoint of fairness?
<p>In tenders for public agencies, the vendors presume that there will be no changes in the terms and conditions.</p> <p>While additional construction and revisions may occur in the case of construction, there are basically no changes in the terms and conditions from the time of bidding to the conclusion of the contract.</p>	—
—	In situations where the project starts with the initial contract and unexpected changes occur as the project progresses, are we correct in assuming that the counterparties should agree to the revisions and conclude a contract

	amendment?
Yes, exactly. Contract amendments are easier to explain because of its real necessity, whereas making changes at the conclusion of the contract is less transparent. Therefore, contract amendments are preferable.	—
Do you envision any specific cases?	Sometimes, we receive requests to negotiate by the successful bidder. We were wondering to what extent we should allow for such negotiation, which is the reason why we asked for advice. In OIST's case, many of the bids have only one bidder. Therefore, it basically comes down to whether or not to accept the successful bidder's demands. However, it is a fact that in many cases we end up accepting negotiation under murky circumstances.
In the medium term, another option would be to prepare a standard contract with revised clauses such as the clauses for the guarantee against defects and liabilities for damages for certain industries, particularly the IT industry.	—

③ Report on the analysis of FY2018 procurement trends

<Explanation on the summary>

- The budget for FY2018 increased to approximately 20.0 billion yen (approximately 16.8 billion yen in FY2017).
- Analysis of the Procurement & Supplies Section was conducted under the categories of “Large research equipment,” “Outsourcing” and “Expendable supplies,” as was the case in the previous year. The characteristics of each category are as follows.
 - ① Large research equipment: The deadlock over competition and the structural problems relating to cost-saving incentives

- ② Outsourcing: Measures against a fixed monopoly market and the existence of projects that account for a large portion of the expenses
- ③ Expendable supplies: While the price per purchase is small, the number of purchases is massive. The administrative burden, including the preparation of documents and system input, is heavy.

- Large research equipment

While the budget is affected by the budget allocation of each year, no progress was made in the initiatives, as the structural problem stemming from the absence of incentives for cost-saving, which had also been a problem in the previous year, had not been resolved.

- Outsourcing

Although we have identified the elements that cause fluctuations in outsourcing expenses and maintenance expenses, we have yet to determine a pattern. There were also a number of elements unique to FY2018. Therefore, we will continue to analyze their impact. We will continue to consider the necessary measures, given the continuing tendency for vendors becoming fixed, such as when there is no alternative maintenance vendor. Additionally, there is an increasing trend to outsource to free-lancing individuals, which will require caution when managing the contracts.

- Expendable supplies

The number of purchases and purchase amounts indicated a decreasing trend. Whether this was a characteristic of FY2018 budget allocation or a result of the measures taken in this category needs to be investigated more carefully. We are seeing actual numbers that suggest a reduction in administrative man-hours, which was an issue in expendable supplies procurement, and we will continue to promote these initiatives going forward.

- ④ Progress report on the study of the evaluation process of post-procurement management of equipment

<Explanation on the summary>

- At the previous Contract Review Committee, we were told that an evaluation baseline would be necessary in order to conduct post-procurement evaluations.
- We are currently deliberating on how to set an evaluation baseline.
- We would like to introduce one example, in which a priority matrix is prepared based on QCD (Note 2) which are considered to be basic elements of procurement, and

when procedures according to the policy of the division making the procurement request are taken rather than the approach that would take priority in light of the nature of the project, the effects of a different approach is measured by conducting a post-procurement evaluation of the management status.

For the policy of the division of requesting procurement, we have applied AGE (Note 3) which was suggested by members of the previous committee for the time being.

(Note 2) QCD: Q (Quality), C (Cost) and D (Delivery)

(Note 3) AGE: A (Advance), G (Generality) and E (Efficiency)

Comments from the committee members	Explanation from OIST
How will this priority matrix be utilized?	<p>The assumption of this example is that the priority matrix will be applied based on the quantitative and qualitative nature of the project for which procurement has been requested, and the priority procedures will be confirmed.</p> <p>Based on these results, the division requesting procurement will be interviewed regarding the terms and conditions of the contract, the contract amount, delivery (QCD), among others, and will be asked to determine a baseline (AGE). And if they do not coincide, they will be used as indices for the post-procurement evaluation.</p>
This is a very interesting concept. Have you made concrete plans to introduce this post-procurement evaluation?	<p>Concrete plans have not been made yet.</p> <p>Currently, it is just one of the ideas and in order to build an internal consensus, we will need to build a consensus on the necessity of post-procurement evaluation.</p>
It is essential that the researchers who require the research equipment also understand the priorities in the procurement of such equipment. For example, is the performance of the equipment a priority? Does the researcher	—

<p>want to purchase it as quickly as possible for research? Or if the equipment is similar, would a less expensive model be better?</p>	
<p>Complex procedures and copious amounts of paperwork can stall even the most important initiatives. Therefore, I believe that it is better if you started with the simple keywords that you explained to us.</p>	<p>Complex procedures will become a deterrent to the divisions requesting the procurement. It will also mean more man-hours for the procurement divisions conducting the evaluations, which will defeat the original purpose of these initiatives.</p> <p>We hope to devise a simple concept based on how we evaluate the gap between the ideal way of procurement and reality.</p>

(4) Scheduled for the next committee and the committee members responsible for selecting projects of deliberation

- The following plan was suggested by the secretariat and approved by the Committee:

The next committee is scheduled to take place in Okinawa in January 2020 (TBD)

- The committee member responsible for selecting the projects for the next committee will be Mr. Namerikawa.

(Mr. Tada → Mr. Tanaka → Mr. Namerikawa → Mr. Yoshikawa → Mr. Sakihama → Mr. Shimizu → Mr. Ofuchi)