

## **The Minutes of the 19th Contract Review Committee**

Okinawa Institute of Science and Technology School Corporation

1. Date: Wednesday, October 27, 2021 13:30 - 15:30
2. Venue: OIST Center Building, Meeting Room C209
3. Participants (members): Mr. Takeshi Uchima, Mr. Hideaki Tanaka, Mr. Kenta Tomori and Ms. Orié Nishimura

#### 4. Summary of proceedings

○ OIST campus development status

The status of OIST campus development was explained by the secretariat.

○ Contract Review Committee

Since its establishment in 2011, the Contract Review Committee has held 18 meetings. This will be its last meeting due to the review of the campus-wide compliance system and the fact that a considerably large number of achievements by the Committee have been accumulated within the University, such as cases where administrative procedures were improved based on advice so far provided from committee members (e.g., the introduction of evaluation based on the divisional method in the overall evaluation method, the introduction of a limit on the number of competitive bids for goods, and the analysis of actual conditions through category management of procurement).

○ Agenda

(1) Selection of projects for deliberation

Mr. Tomori reported that four projects had been selected from among 166 candidates.

(Two projects for public construction work contract, two projects for goods and service contract)

## Reasons for selecting the agenda items

Committee member in charge: Mr. Tomori

### 【Contract for public construction】

#### 1. General competitive bidding (lowest price contract award method)

Bridge No. 9 Superstructure Work at Okinawa Institute of Science and Technology Graduate University

[Reason for the selection] This project was selected to confirm the details of the lower bid amount survey

#### 2. Negotiated contract method (special negotiated contract)

Lab 5 Building Work at Okinawa Institute of Science and Technology Graduate University (Part 2)

[Reason for the selection] This project was selected because it is a high-value project, and to confirm the rationale for it being a negotiated contract (construction work closely related to the contract for which the contractor was selected in and before the previous fiscal year) and the way of thinking towards such things as budgeting, designing, and pricing for large-scale, multi-year contract work.

### 【Contract for goods and services】

#### 3. Negotiated contract method (special negotiated contract)

Purchase of a set of AV equipment

[Reason for the selection] This project was selected to confirm the rationale for it being a negotiated contract (one and only sales channel that can provide the equipment).

#### 4. Negotiated contract (special negotiated contract)

Outsourcing of supply store management and supply management and operation of shared consumables

[Reason for the selection] This project was selected to confirm the rationale for it being a negotiated contract (continuing contract).

(2) Deliberation regarding individual agenda items

① General competitive bidding

Bridge No. 9 Superstructure Work at Okinawa Institute of Science and Technology Graduate University

<Explanation on the summary (provided by the secretariat)>

1. 1. Summary of construction work
  - This is a superstructure work of the Bridge No. 9 required for the Lab 5 building work, which includes infrastructure piping attachment.
2. Bid Participation Status
  - A general competitive bidding was conducted, and five parties participated in the bidding.
3. Results of the bidding
  - The lowest bid price was lower than the lower bid amount survey standard price set by the University.
  - The lowest bidder's bid price was 72.9% of the target price.
  - Overall, three of the five bidders were below the lower bid amount survey standard price.
  - The target price was set by an external consultant based on the estimation standards, construction prices, and other estimation materials.
  - We conducted an interview with the lowest bidder based on the University regulations.
4. Reasons for the low bid amount
  - The overall construction costs were reduced by estimating based on the results of the construction work of Bridge No. 8 awarded in FY2018.
  - The contractor was able to reduce outsourcing costs because they have their own equipment for erecting bridge girders and transport such equipment by their own vehicles.
  - The contractor was able to reduce labor costs as they had other construction project in Okinawa Prefecture and their technical staff stayed in Okinawa.
  - The contractor was able to reduce materials and labor costs through good cooperative relationships with local companies.

Opinions and comments of the Committee	Explanation provided by the secretariat
<p>I hear that, in general, discrepancies between the target price and the actual bid price are rare because the same estimation method is used, but in this case, three of the five bidders submitted bids that were nearly 70 million yen lower than the target price. What are the possible causes of this?</p>	<p>The ratios of the five bidders' bid prices to the target price (bid ratios) are as follows.</p> <p>Lowest bid price: 72.9%</p> <p>2nd place: 73.2%</p> <p>3rd place: 76.2%</p> <p>4th place: 81.5%</p> <p>5th place: 81.8%</p> <p>The contractor of this project was also awarded the construction of Bridge No. 8 in FY2018, with a bid ratio of 79%. In that case, there were only two bidders. This time, there were five bidders, which suggests that bridge builders were actively making efforts to win the contract.</p>
<p>Is it possible for bid participants to know the number of participants?</p>	<p>The number of participants is not disclosed (until the determination of a successful bidder and the conclusion of the contract); however, it can be predicted through the question-and-answer session. (The contract information is released after the bidding, and accordingly it is possible for them to know the number of bid participants at that point.)</p>
<p>As for the estimation of the bid amount, is it correct to understand that each company has accumulated construction experience and know-how and that accordingly it is difficult to reflect it the target price?</p>	<p>When we checked the breakdown of the bid amount of the contractor, we found that general and administrative expenses, which are expenses used to generate revenue for the company, were kept low.</p>
<p>What kind of measures do you plan to take in the future in setting target prices?</p>	<p>We will calculate target prices based on the unit prices publicly released by the Ministry of Land, Infrastructure, Transport and Tourism, and Okinawa Prefecture. If the bidding results in a low bid amount, we will conduct a lower bid amount survey to ensure whether proper performance is possible.</p>
<p>Is the consultant who estimated the target price</p>	<p>The consultant is not present during the survey.</p>

also present to investigate the strength and durability of materials during the lower bid amount survey?	Necessary specifications are included in the specifications, drawings, and other documents. In the lower bid amount survey, we investigate whether the estimation in the document for breakdown of the bid price is properly done.
Is there a system for conducting lower bid amount surveys internally at OIST?	Basically, we conduct lower bid amount surveys internally at OIST; however, we may request a consultant to conduct the survey, if necessary.  The contractor for this project had experience in the construction of the No. 8 Bridge, and therefore there were no concerns about whether they could execute the project properly.
Have there been any cases where estimation was not considered to be appropriate as a result of a lower bid amount survey?	In the past, there was a case where errors in estimation were discovered as a result of a lower bid amount survey. In that case, we signed a contract with the runner-up.
Attachment 1 of Article 13 (Lower Bid Amount Survey) of the Contract Management Stipulations stipulates that the financial status of the bidder is also subject to the survey. There is no mention of this in the minutes of the interviews for this project; however, did you conduct a survey on the financial status?	Since this project falls under the range of 70% or more but less than 80% of the target price, these stipulations of the University stipulate that an investigation based on interviews shall be conducted, and therefore we did not conduct the survey specified in Attachment 1. If the target price is less than 70%, we shall conduct the survey specified in Attachment 1.

② Negotiated contract (public recruiting method)

Lab 5 Building Work at Okinawa Institute of Science and Technology Graduate University  
(Part2)

<Explanation on the summary (provided by the secretariat)>

1. Summary of construction work
  - Construction of ancillary facilities and cleanroom in the Lab 5
2. Reasons for a negotiated contract

- The scope of this construction project covers the detailed design of the previous construction project whose contract was concluded under the design-build order system and is directly related to the previous construction project.
  - Takenaka JV, the contractor of the previous construction work grasps the contents of the detailed design and is currently carrying out the previous construction project.
  - Because this case falls under the category of “cases where the nature or purpose of the Procurement Case does not permit competition” as stipulated in Article 14, Paragraph 1, Item (1) of the Contract Management Stipulations, a negotiated contract was concluded with the contractor of the previous construction project.
3. Our approaches towards budgeting, designing, pricing, and other matters for large-scale, multi-year contract construction work
- As for a large-scale and long-term construction work, subsidies for construction through the act of bearing liabilities with the national treasury funds shall be used.
  - In the case of large-scale projects, budget requests shall be made so that designing can be carried out in the fiscal year prior to the commencement of the construction and the construction can be commenced in the following fiscal year.
  - For the Lab 5, the basic design was conducted in FY2018, and the budget for detailed design and construction work was appropriated with a supplementary budget at end of FY2018 and the budget which is appropriated in multiple fiscal years.
  - In FY2019, the contract was executed, and the construction work was commenced.
  - In many cases, when the budget is requested as facility development expenses, the detailed design and construction work are treated as a set.
  - It is difficult to get the exact construction cost at the time of budget request.
  - It usually takes about two years from the time of the budget appropriation request, budgeting, and detailed design to the actual commencement of construction.
  - Actual costs may exceed the initially estimated costs due to fluctuations in market trends and prices during that time.
  - If the budget is insufficient, specifications will have to be revised (reduced).
  - In addition, it can be influenced by policies such as front-loading of the budget or budget reductions.
  - Also for this construction work, subsidies for facility development were appropriated in the supplementary budget at the end of FY2020.
  - This construction work is to install the ancillary facilities that were eliminated from the “Part 1” of the construction work due to budget constraints.

Opinions and comments of the Committee	Explanation provided by the secretariat
Is it correct to understand that a negotiated contract was executed with Takenaka JV, because Takenaka JV, which was awarded the previous construction project, is aware of the construction details?	The previous construction project was awarded for both design and construction using the design-build method. The scope of the design includes the detailed design of this project. This project is the construction contract for part of the said detailed design.
Is it because of the budget that this construction work was not included in the previous construction project?	At the budgeting stage, a budget appropriation request was made for the previous construction project including this project; however, the budget corresponding to this project was cut. After that, this project was budgeted in the next fiscal year, and therefore we executed a negotiated contract regarding this project.
The contract amount for this project is 100% of the target price; what was the successful bid rate for the previous construction project?	<p>The design-build method was adopted for the previous construction project to select the designer and contractor. Since the contract amount was determined through negotiations, the successful bid rate was 100%.</p> <p>With regard to the fact that the rate regarding this project is 100%, we obtained quotes for this project as a reference when we publicly solicited for the previous project. The target price for this project was determined by examining the details of the quotes and therefore it was the same as the contract price.</p>
Did you conduct price negotiations also for this project?	The reference quotes for this project were obtained prior to the detailed design. The detailed design was carried out using the reference quotes as the target amount. After the detailed design, we closely examined as to whether the reference quotes were prepared using the same unit prices as those used for the previous project.
Do the reference quotes indicate the “Quotation	This material shows a comparison of quotes of

<p>Comparison Chart” of “Deliberation 3: Lab5 Part 2 9/29” in the explanatory material? Were they obtained as a reference during the public solicitation phase of the previous project?</p>	<p>the construction costs for this project, conducted after the detailed design.</p> <p>Kume Sekkei was awarded the contract for the basic design and part of the detailed design. The cost estimates calculated by Kume Sekkei shall become the figures in the “Kume Sekkei’s Design Document Amount” section of this quotation comparison chart. Based on this information, we publicly solicited the detailed design and construction costs of the main body of LAB 5 through the design-build method.</p> <p>The figures stated in the “quote by Takenaka Corporation” section of the quotation comparison chart are not reference prices obtained at the time of the previous construction project, but rather amounts that Takenaka Corporation re-estimated after the detailed design.</p>
<p>If the budget allows, I think it would be reasonable if the cost of this construction project could be proposed together with the cost of the previous project at the stage of public solicitation of the previous project.</p> <p>For materials, labor and other costs that are affected by market conditions, if it is possible to add a buffer in the estimate, I think it is reasonable to propose a price that includes this construction project.</p> <p>Are the figures provided by Takenaka Corporation those calculated after the previous construction phase, rather than those calculated at the time of the said phase?</p>	<p>We obtained quotes from Takenaka Corporation twice: when the previous construction project was awarded and after the detailed design.</p> <p>We obtained a quote including this project when the previous construction project was awarded, and we obtained a more accurate quote again after the detailed design. We have checked the details of both of them to make sure there was no problem.</p>
<p>If the previous construction project has already</p>	<p>Kume Sekkei’s quoted price serves as a</p>



<p>been awarded, isn't there any risk that a negotiated contract can be executed for the construction cost of this project at the contractor's asking price?</p>	<p>checking mechanism, and accordingly the price is regulated.</p>
<p>Do you take a similar approach for large-scale, multi-year construction projects?</p>	<p>We have introduced the design-build method for the first time at the time of the construction of LAB 5. In a situation where construction prices are skyrocketing in Okinawa Prefecture, it is difficult to select contractors for multi-year construction projects through bidding due to problems such as a shortage of workers. The advantage of adopting the design-build method is that materials and human resources can be prepared in advance since construction will commence one year later. If there are no budgetary problems, we would like to adopt the design-build method for large-scale construction projects also in the future.</p>
<p>In the case of the design-build method, does the contract specify which party will bear the risk of unit price increases in materials and labor costs at the time of the commencement of the construction?</p>	<p>Basically, it will be borne by the contractor.</p>
<p>Is it correct to understand that the contractor will make a proposal that includes this risk?</p>	<p>That is correct.</p>
<p>There is a risk that the construction cost of this project will be at the price asked by the contractor of the previous construction project; however, there is also a possibility of failure if a different contractor from the previous one is forced to handle this project. This is an unavoidable problem for an ordering party, and it is necessary to confirm the validity of the construction cost on a case-by-case basis.</p>	<p>—</p>

- ③ Negotiated contract (special negotiated contract)  
Purchase of a set of AV equipment

<Explanation on the summary (provided by the secretariat)>

1. Summary of the contract

- This project involves the purchase of new audio-visual equipment for the University’s auditorium and two other rooms (C209/B250), as the equipment is aging or the manufacturers no longer supports them.
- Since the rooms within the scope of this project is used as a venue for important events such as board meetings and graduation ceremonies, it is necessary to take all possible measures to manage the equipment.
- This project includes the upgrade of the video conferencing system in B250 whose demand has increased due to the COVID-19 pandemic.
- The existing audio-visual equipment is operated and managed by the Audiovisual Control and Management System (BiSS/CiSS) of Eizo System Co., Ltd., and the equipment to be purchased in this project is also to be managed by this system.
- Since the sales channel of the Audio Visual Control and Management System (BiSS/CiSS) is limited to Fujisoft Incorporated, we signed a negotiated contract.

2. Target price

- For the target price, we made a comparison with that of the identical product that was delivered to the University in the past; however, since the contract under comparison was for the purchase of a complete set of audio-visual equipment with a total value of 100 million yen or more, it was difficult to apply it to this project due to the difference in volume discounts.
- We researched prices for the equipment on the internet as much as possible, and after taking into consideration the availability of warranties, shipping costs to Okinawa, and other factors, we determined that the reference quote amount was at a reasonable level.

Opinions and comments of the Committee	Explanation provided by the secretariat
Is it correct to understand that this project is a replacement of existing equipment?	That is correct.
Are the prices of the equipment procured in this project higher compared to those of the existing equipment?	The existing equipment was installed quite a long time ago (for example, for a conference room C209, the equipment was installed in the period between 2011 and 2012.). Therefore, it was not possible to compare the procurement prices in this project with the prices of the existing equipment at the time of installation.
You mean you don’t know the costs of the AV	In this project, not all of the existing equipment

<p>equipment installed in the conference room?</p>	<p>was replaced, but some of the equipment in each of the three conference rooms was replaced due to their aging or the end of manufacturers' support for them. Therefore, we judged that it would be difficult to compare the procurement prices in this project with the procurement prices at the time when all the existing equipment was installed at once.</p>
<p>I would like to receive a detailed explanation on the fact that you were not able to receive volume discounts at the time of the procurement in this project.</p>	<p>When estimating the target price of this project, we made comparison with the most recent purchase of a complete set of audio-visual equipment for LAB 4, which was ordered a year ago. Since the contract used for the comparison was for a complete set of audio-visual equipment installed in LAB 4, it was a substantial quantity and the contract amount was 100 million yen or more.</p> <p>Since the supplier of the complete set of audio-visual equipment for LAB 4 and the contractor for this project were the same, we asked the contractor as to whether the discount rate on the list price for the complete set of audio-visual equipment for LAB 4 could be applied also to this project; however, we received a response that the same volume discount cannot be applied in this project.</p>
<p>As the reason for a negotiated contract, it is stated in the explanatory document that the equipment to be procured in this project needs to be integrated into the existing system, and therefore the supplier shall be limited to the existing system supplier, Fujisoft Incorporated.</p> <p>According to the oral explanation, the core part of the system is provided by Eizo System Co., Ltd., and the sales channel is limited to Fujisoft Incorporated, and therefore you executed a</p>	<p>That is correct.</p>

<p>negotiated contract. Is it correct?</p>	
<p>Have you considered the rationality of adopting the system of Eizo System Co., Ltd. also in this project?</p>	<p>The Audio Visual Section, which is in charge of AV equipment, has considered the matter. I heard that the decision was made to replace only the equipment that is aging or the manufacturers no longer supports and continue using the equipment that can be still used since the AV equipment has to be managed within a limited budget.</p>
<p>I believe that the substantial reason for adopting a negotiated contract for this project is to use the system of Eizo System Co., Ltd.</p> <p>With regard to using the system of Eizo System Co., Ltd., it would be better to clarify as to whether the selection of a contractor should be based on a negotiated contract or possibly through a bidding process.</p>	<p>—</p>
<p>This case is a typical example where there is only one supplier.</p> <p>If you make use of this case in the future, it would be reasonable if the reason for selecting the system when it is first introduced is that there is no other one that meets the specifications. It depends on whether you can adopt a mechanism where you have options when selecting a system and are not tied to a vendor. A decision made when making your first purchase is important.</p>	<p>—</p>

④ Negotiated contract (special negotiated contract)

Outsourcing of supply store operation and shared consumables supply management and operation

<Explanation on the summary (provided by the secretariat)>

### 1. Background of introducing the store and summary of the contract

- A “supply store” is a store located in a corner of the campus that stocks and sells research consumables and other items so that researchers can purchase them quickly when they need them. It was initially introduced to overcome the University’s disadvantage being located in Okinawa Prefecture.
- This project is to outsource the operation of an on-campus supply store that stocks and sells consumables, equipment, and other items that meet the needs of research activities and administrative work for OIST staff, and the supply management and operation of shared consumables.
- The supply store operation consists of two stores: the “On-Campus Store” that sells items such as research materials and the “Stationery Store” that sells items such as stationeries.
- Until FY2019, the two stores were operated under separate contracts; however, at the time of the “on-campus store” planning competition in FY 2020, we selected a contractor through a competitive process on the premise of a maximum five-year contract, on the condition that a stationery store can be operated concurrently in the future.
- In this project, the contract was renewed for a second year, integrating the former “Stationery Store”.

### 2. Reason for a negotiated contract

- We select vendors for multiple years based on Article 8, Paragraph 1, Item (2), H) of the University’s Detailed Stipulations for Multi-year Contracts and Multi-year Vendor Selection (Contracts for items required multi-year basis effect measurement such as contracts for management of the Supply Store), and conducts user questionnaires, etc. each fiscal year to determine whether or not to renew contracts based on the results of these questionnaires.
- As a result of the evaluation, we were able to judge that the business implementation status was good, and therefore we renewed the contract in the form of a negotiated contract.

### 3. Target Price

- The target price was set based on the total amount of consumables and stationery for research, purchased in the previous fiscal year.
- For the products handled by the store, we compared the prices of some of the products with the prices on the internet in order to verify the validity of the prices set.
- As a result of the market research comparison, we determined that the prices of products provided to the University was at a reasonable level given the convenience of products that are readily available at any time and the shipping cost and lead time to Okinawa that could occur when ordering over the internet.

Opinions and comments of the Committee	Explanation provided by the secretariat
<p>I think it is quite an interesting approach.</p> <p>I understand that you renew the contract every year in the form of a negotiated contract; however, isn't it possible to execute a contract for a period of three or five years from the beginning?</p>	<p>It is possible as we have already developed the provisions for multi-year contracts.</p> <p>As a disadvantage, if we simply execute a three-year or five-year contract, it may cause less tension on the part of the vendor. In this project, we conduct a user questionnaire survey at the end of each fiscal year to confirm the reputation among researchers and other matters as to whether the vendor's performance meets our expectations, and if there are no problems, we will renew the contract.</p>
<p>That is true; however, from the vendor's point of view, there may be room for a discount if there is a guarantee for a three-year contract.</p>	<p>We consider that there are some benefits from a long-term contract, if the project requires a certain amount of investment on the part of the contractor. In this case, the store operator owns a warehouse in Okinawa, and the project does not require such a large investment. As the needs of researchers for the supply store change due to the progress of their research and changes of their research units, the selection of items in the store is constantly being changed. The contract is renewed every year with the intention of conducting an annual review.</p>
<p>How do you determine the prices of individual consumables?</p>	<p>The prices are set by the store operator.</p> <p>We ask them to keep the prices as equal to the market prices as possible, and in some cases we receive complaints about the prices; however, in that case, we ask them to review the prices. In addition, we have a liaison meeting with the store operator at least once a month to have opportunities to communicate our requests. We both always devise ways to ensure that the quality of our services does not deteriorate.</p>
<p>In addition to the price of products, do you also</p>	<p>It is not a contract to separately pay outsourcing,</p>

<p>pay the running costs related to the operation of the store to the store operator?</p>	<p>operation, and other expenses, but rather running costs such as labor costs are added to the product prices. The store is open from 9:00 a.m. to 5:00 p.m., and there are always one or two store clerks in the store during the hours.</p>
<p>In countries such as South Korea and the UK, they have created a supply store for the entire country. They have an efficient service that handles everything from executing contracts with the most competitive vendor for each item for multiple years in advance, and selling products to the ministries and agencies over the web, to performing the accounting processing.</p> <p>I think a mechanism of the store in this project is a smaller version of that; however, isn't it a hassle to renew the contract every year?</p>	<p>As mentioned earlier, user evaluations are required for the renewal of the contract, and the user questionnaire survey results are shown in the explanatory materials for reference. The survey results show that evaluation so far has been generally favorable.</p> <p>In terms of convenience of procurement, there is a mechanism for purchasing research consumables and reagents online, separately from this project. The data of purchases researchers have made on vendor websites are reflected in the University's accounting system the next day.</p>
<p>An alternative means to renewing contracts every year, may be to change the contractor's compensation based on their performance if a multi-year contract is executed. I think there is room for devising ways.</p>	<p>There is no outsourcing fee for this project, and we only pay for the products. We would like to consider some kind of incentive based on performance in the future.</p>
<p>I think the method of considering contract renewal is good.</p> <p>I think it will become better if the improvement method mentioned by Mr. Tanaka is also considered.</p> <p>Unlike outsourced services where fixed costs are invested, I think this project comes down to price and inventory, considering how much know-how can be gained through multiple years of operation.</p>	<p>It seems what researchers want most is easy and quick delivery of necessary supplies so that they can concentrate on their research activities. Especially for office supplies, Amazon and other online retailers are gaining momentum, and since their services are inexpensive and can be obtained even in Okinawa without much shipping costs, we are considering a fundamental review of the supply chain for office supplies other than that for research.</p>

<p>In addition to the user questionnaire survey, why don't you obtain quotes from vendors who can provide similar services and compare them?</p>	
<p>I think it is possible to reduce the administrative cost of procurement by procuring regularly required items in bulk or placing orders with an external party.</p>	<p>The characteristics of our procurement are that items we need for our research changes according to the progress on our research and that we tend to purchase many different kinds of items in small quantities.</p> <p>The supply store is one of the measures to deal with this. For items that can be purchased in bulk, we are devising ways by adopting unit price contracts. We would like to also consider increasing the number of channels for purchasing stationery and other items.</p>

### (3) Report from OIST Financial Management Division

#### ① Our Responses Towards the Budget Execution Examination by the Ministry of Finance (MOF)

<Explanation on the summary (provided by the secretariat)>

##### 1. Matters pointed out in the budget execution examination

- In 2019, the University received a budget execution examination by the Ministry of Finance. At the examination, we received a recommendation to lower the bidding standard, which had previously been set at 5 million yen.

##### 2. Our responses towards the budget execution examination by the Ministry of Finance

- The lowering of the bidding standard has a huge practical impact, and therefore we established a working group within the University to examine the impact of the lowering and whether it would lead to cost reductions.
- An analysis of the status of bidding projects for the two years of FY2016 and FY2017 revealed that the participants in these bidding processes and the discounts obtained from the bids differed significantly by category of procurement items.
- While for construction work and non-research equipment such as furniture and computers, there were a relatively large number of bidders and discounts were obtained, for research equipment, the average number of bidders was as close as possible to 1.0 and the discount



rate was also as close as possible to 0, and accordingly there was almost no cost reduction through the competitive bidding.

- After that, we examined matters such as the impact of lowering the standard and whether or not the lowering from 5 million yen to 3 million yen would lead to cost reduction. As a result, given the situation where there is no discount for research equipment even if we conduct a bidding in the first place, we decided to leave the standard unchanged at 5 million yen in the case of procurement requested by research departments that place many orders for research equipment, and to lower the standard to 3 million yen in the case of procurement requested by non-research departments, and we lowered the standard in April 2021 after necessary procedures such as revision of the regulations were completed.
- If the standard is lowered from 5 million yen to 3 million yen, all the procurements in the amount range for which we had executed a negotiated contract before will be shifted to competitive bidding. Of the actual contracts executed in FY2018, there were 83 negotiated contracts in the range of 3 to 5 million yen. In a simulation, this number was multiplied by the reduction rate of bidding for each category, resulting in a reduction of 26 million yen if the same reduction rate could be expected after these contracts were shifted to bidding.
- We analyzed the status of actual bidding projects in the range of 3 to 5 million yen that took place in the period between April and August 2021. Although the total number of projects was only seven and accordingly was limited, within this range, the rate of reduction tended to be relatively high for asset and equipment costs (non-research equipment such as furniture and PCs) and consumable costs, as initially expected. As for construction costs, the discount rate was not as expected; however, this is because the discounts for construction projects of 3 to 5 million yen are smaller than those for larger construction projects of over 5 million yen from the perspective of volume discounting, since the value range is lower.
- In addition, since the number of man-hours required for administrative work naturally increase as a result of the transition from negotiated contracts to bidding, we also estimated an increase in the administrative cost in a simulation before the transition. This is an estimate of an increase of 6 man-hours per bidding if we shift to bidding, assuming 3,000 yen per hour for labor costs. While a reduction effect of approximately 2.6 million yen was obtained through the implementation of seven biddings, the increase in administrative costs was 0.126 million yen, and we observed that lowering the bidding standard had a positive effect.

Opinions and comments of the Committee	Explanation provided by the secretariat
There are 11 “asset/goods expenses” before the	We obtained quotes from multiple vendors with

lowering the standard. How were they procured through negotiated contracts?	a track record of deliveries and executed a negotiated contract with the vendor that offered the lowest price (quotation comparison).
In the case of small projects, is there any difference in results between competitive bidding and quote comparison?	Whether or not we can obtain a discount depends on the nature of assets or goods to be procured; however, it is safe to say that competitive bidding tends to cause more tension among vendors. Although there were only three projects analyzed, the results of this analysis showed that the reduction rate was high.
If you continue to procure assets or goods at a lower price through competition, will it have any impact on subsequent procurements?	It is true that if the same item is procured at a lower price, the amount of actual delivery will decrease. When we set the target price, we use actual delivery records as a reference; however, we have excluded actual “special discounts” from a reference for the target price.
Have you reported the results of your responses towards the matters pointed out to the Ministry of Finance? Even though you will do the best you can, if there are any matters to which you cannot respond, I think you should report them.	At this point, we have not yet reported; however, we will report on our responses taken so far at some point in the future.

② Reflection of matters pointed out by the Contract Review Committee and other matters

<Explanation on the summary (provided by the secretariat)>

1. Status of reflection of matters pointed out so far and other matters

- Contract Review Committee meetings have been held for many years. During the period, we have obtained and accumulated a considerable amount of advice and suggestions, which have been greatly utilized in many ways to improve the contract administration of the University.
- Our specific achievements include the improvement of the method for calculating the evaluation value of the overall evaluation method, the introduction of multi-year contracts, and the introduction of a mechanism for incorporating the opinions of the private sector at the stage of determining construction specifications. We have also collected information on the efforts of other organizations, including other universities and private companies, on a continuous basis.

- In the future, we would like to continue to use the many matters pointed out and comments made so far by the Committee to improve our contract administration. For example, based on the analysis of each procurement category, we would like to make efforts to reduce costs accordingly. As for non-research equipment, construction work, and consumables on which bidding has a high effect, we will try to devise ways to attract more participants in such bidding. In this way, we aim to accumulate know-how in each category. In addition, we would like also to analyze the increase in administrative costs associated with the implementation of bidding and consider the optimal allocation of resources.

Opinions and comments of the Committee	Explanation provided by the secretariat
<p>I am glad to have been involved in the Contract Review Committee, and I hope I have been of any help. I think it is the result of your efforts to improve the contract administration.</p> <p>Finally, I look forward to the future activities of the procurement and contracting department, and it is important for the top management of the University to recognize the importance of procurement contracts and back them up with interest.</p>	<p>We would like to have opportunities to explain to the executives in the future.</p>

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