

6th Contract Review Committee Meeting - Agenda Overview

Okinawa Institute of Science and Technology Graduate University (OIST)

1. Date and time July 25, 2014 (Friday) 14.30 - 16.45
2. Place C210 Seminar Room, OIST
3. Committee members in attendance Toshiaki Tada, Takao Kashitani,
Susumu Namerikawa, Naoto Uchima, Hideaki Tanaka,
Hidemitsu Sakihama (Absent: Mitsuhiro Nemoto)
Observers (OIST Auditors): Kiyotaka Soma, Tsugiyoshi Toma

4. Summary minutes

* Establishment of the Committee

The Secretariat explained the purpose and aims of the establishment of this Committee.

* Mutual election of the chairperson

Committee Member Tada was elected as the chairperson by and from among the members of the Committee based on Article 3.2 of the “OIST Detailed Stipulations for Contract Review Committee”.

* Designation of a proxy chairperson

Chairperson Tada designated Committee Member Tanaka as his proxy and this was approved based on Article 3.3 of the “OIST Detailed Stipulations for Contract Review Committee”.

* Overview of OIST

The Secretariat gave an overview of OIST.

* Agenda item

(1) Extraction of matters for deliberation

A report was given to the effect that Committee Member Kashitani extracted 7 out of 316 subject matters by contract method.

(Goods / services: 5 matters; construction: 2 matters)

(2) Deliberation of individual matters

1. Competitive tender

[1] Purchasing of 2014 foreign serial publications (A Group)

Opinions / comments of committee members	Explanations, etc., by the Secretariat
Why is notation of a 100% or higher bid rate not possible? Does it mean the tender amount and contract amount are different?	It is because it is normally assumed that we will contract at lower than the target price. In this case, the tender was carried out once, but the contract is divided into 2 for reasons of single year budget restrictions. If you add the contract amounts for January to March and April to December, the result is the same value as the tender amount.
I think the normal method when OIST divide a tender in 2 is to apply a ratio to both, so like applying a tender ratio to both the January to March portion and the April to December portion, but is that what has been done?	At the time of the tender the January to March portion and the April to December portion are listed as a breakdown, but no tender rate is being applied equally to both at present. A bid succeeds if its amount falls below the target price for 1 year.
Looking at the breakdown of the contract amounts, why is the proportion for January to March low and the proportion for April to December high?	The breakdown of the target price shows just a pro rata allotment of the period. On the other hand, the presentation of the supplier is not just a simple period division so we have a situation like you point out.
I think it is a problem to do with the setting of the target price. Does the difference in the bid rates of each group mean that the journal demand-supply balance is different?	There are currently 743 titles and I understand that they are divided competitively into groups and the competitiveness of each group is reflected in the bid rates.
Would it be possible to buy journals more cheaply if OIST used multi-year contracts?	I have heard that they would be cheaper. However, the titles of electronic journal purchases are determined each year by a committee centered on researchers.

	Consequently, adverse effects may occur due to multi-year contracts.
Would it be conceivable to make multi-year contracts if it seems like OIST will continue buying them and make contracts each year for those that do not?	It is as you understand. I think it would be more effective to continue making multi-year contracts for journals that a lot of researchers read and ones that are in high demand.
The Cabinet gives out subsidies and I think it is also pointed out in statutory and regulatory provisions such as the Act for Normalization of Grants, etc., but the contract procedures are restricted by law. Are the ways OIST use subsidies restricted in relation to target prices and contract procedures?	My understanding is that they are restricted as there is an OIST subsidy guideline and it has the same content as the general guidelines based on the Act for Normalization of Grants, etc. It is written in the subsidy guidelines that the execution of budgets is based on competition and otherwise we follow the internal regulations established at OIST. Big decision-making would be required if we ignored the national system and did not follow the existing transaction contract method just because something was stipulated only in the internal regulations, so the situation at the moment is that we have made contracts following the single-year purchasing doctrine and the existing internal regulations.
Does that mean that government agencies can make multi-year contracts resulting in treasury obligations, but OIST cannot or it is difficult?	We consulted once in budget terms about whether we could do contracts resulting in treasury obligations with regard to research expenses. However, although the state currently recognizes contracts resulting in treasury obligations as subsidies for things like facilities, we were told that it is not possible with regard to something like research expenses so we abandoned the idea. I cannot deny it when

	asked whether contracts are possible in terms of the Civil Code, but I do not think we can run far ahead in terms of budget execution so the situation is that we get estimates firmly.
Speaking from the taxpayer's standpoint, it is naturally possible that multi-year contracts will be cheaper. Could OIST really explain to taxpayers that we purposely make single-year contracts? The fact that there are a lot of other matters too with a bid rate of 100% would not normally be possible. That means there is something unreasonable.	With regard to the possibility of transitioning to multi-year contracts, they may apply in cases of very expensive research equipment or equipment that takes more than a year to build, but they are exceptional cases and we have to consider taking risk. The idea is that we will not move towards making multi-year contracts on a regular basis. However, we need to make procurement properly rational at all times so we would be grateful if committee members could provide appropriate recommendations.

[2] Experimental animal rearing management contracting

Opinions / comments of committee members	Explanations, etc., by the Secretariat
Why have there been tenders 7 times?	Nobody was able to win the bid even though we had 7 tenders at the first time. There is a limit of 8 times in cases of goods and services so we decided to run the tender again on a different day.
Did OIST run the tender again after revising the target price?	We ran the tender again without changing the target price. This is not a contract specifying a number of people because it is for outsourced work, but the bidders gave estimates based on a lot of people in their initial tenders and that was the reason why it was not possible for a bid to succeed. As a result of redoing the tender

	<p>after the bidders revised their numbers of people and without changing the target price, a successful bid was possible.</p>
<p>Are there any other suppliers? I think OIST may have done this under the judgment that OIST have done it like this for many years so the risk of changing is large, but if that is the case, thinking simply, is there any sense in running a competitive tender? Should some different ingenuity be exercised?</p>	<p>We are investigating to prepare the next tender at a rather early stage in order to ensure competitiveness. There are also the circumstances that this is work that requires special qualifications for experimental animals so human resources are rather difficult to organize.</p>
<p>Have the breakdown of the target price and the cost of the manager been set after obtaining estimates?</p>	<p>It is as you understand. This contract has continued since the time of OIST's forerunner organization (incorporated administrative agency) and the price has been the same basically since that time.</p>
<p>I think that normally, if it is not in the estimate standard or construction costs, etc., OIST do this by adopting an estimate, but I think normally, if there was no successful bid after running a tender 7 times, I would do this by revising the target price. In cases of unsuccessful bids at OIST, does OIST run tenders again at the same amount without revising prices? OIST should investigate revising the price if OIST has reached a time when things like personnel costs, etc., have increased.</p>	<p>We do normally revise the target price, but the bidders put in tenders with higher numbers of people than were assumed at the time of this tender in January. On our side, we did not change the target price because we are in the position of not needing to change personnel numbers and unit prices if the work is the same as the previous year.</p>

[3] Purchase of 1 set of rotary viscoelasticity measuring equipment

Opinions / comments of committee members	Explanations, etc., by the Secretariat
Does that mean this machinery is only supplied by this sales company?	It is as you understand.
I have an image that talking with a negotiated contract is more rational, but ...	We adopted a competitive tender for this contract based on the perspective of ensuring transparency and the fact it is high priced equipment.
Seen from the perspective of management cost savings, it may be easier to explain that OIST prepared documents and exchanged information, but I have the image that OIST carried out unnecessary procedures in the end so OIST could probably have been a bit more pragmatic.	If the model is specified in advance and there are no alternatives, we would want to negotiate with a negotiated contract if we could. However, things like the preparation of materials to explain a negotiated contract cost about the same for clerical tasks as conducting a tender. I understand that we ended up with one bidder, but we have advanced this matter judging that processing it with a competitive tender was better.
We have to do this thinking about quality and I think we must think properly about systems so that we can negotiate in a way in keeping with a negotiated contract and systems that allow us to negotiate while ensuring transparency by preparing regulations.	I think it is as you say. We can expect the amount that will be reduced by direct negotiations to be bigger the higher the price is. However, on the other hand, we can also look at the procedures with a stricter eye the higher the price is so I think we have to think about that preparation carefully.

[4] Construction for preparation of the core environment (Skywalk 3)

Opinions / comments of committee members	Explanations, etc., by the Secretariat
It was said that the details of the order where changed, but were the details (specifications) reduced without changing the target price?	That is correct.
Was it not possible to include contingencies in evaluation at the time the budget was requested?	No contingencies could be put in because of the system.
Are the successful bidders for the bridge (Skywalk) and Laboratory 3 different?	They are the same. It is a construction company in a monopoly position. Other construction companies would not come in after a realistic problem has developed.
I think it would probably be odd in normal circumstances to hold a new tender just for the Skywalk. The construction company that succeeds will be expensive because it will have to purchase cranes, etc., for work in high places. So, I think OIST should negotiate on price with the existing contract partner (construction company) and hold negotiations with a negotiated contract. With regard to the contingency problem, could it not be determined from the start as a changing element of the contract, as a matter for adjustment in the specifications? I think OIST should probably be creative with the basic ordering method.	Negotiations are actually taking place. The Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Internal Affairs and Communications are conducting trial runs of estimate application methods as a failure / unsuccessful tender countermeasure. OIST copies this too and confirms estimate details with bidders after unsuccessful tenders. The current cause of unsuccessful bids is mainly the soaring of labor costs due to the shortage of workers. Construction companies cannot make construction contracts while they are unable to forecast labor costs. When we inquired about this point if it would be possible to change the contract over the increased costs, we were told that it would not be possible for reasons of the company's compliance. There are a great many restrictions in placing orders for public works projects. It was said that the

	details of construction had to be matched to the budget basically this time.
<p>In the case of Okinawa Prefecture, if a tender is unsuccessful, they get a request from the industry body, carry out a fact-finding investigation and raise labor costs to fit the situation. We are taking measures so that we can work within the current system by doing the things that can be considered within design changes. The national government also says it wants to increase labor costs sometimes so I think we are substantially meeting reality now.</p> <p>In the construction matter a moment ago, if there is bridge construction additional to the main construction work adjacent to it, for example, I think it would probably be more appropriate for the existing contractor (construction company) to do it as it is a related facility, and if it will be finished cheaply, that there are cases where we would do such construction under a negotiated contract or as additional construction under a negotiated contract, for example, without having a competitive tender.</p>	<p>There are budget related reasons in this case. The budget for the main construction work was exceeded so it was not possible to order the bridge as “additional construction.”</p> <p>A budget was allocated just for the bridge in fiscal year 2014 so we ended up contracting using that.</p>

[5] Environmental monitoring survey (fiscal year 2014)

Opinions / comments of committee members	Explanations, etc., by the Secretariat
Is Nippon Koei the most appropriate contractor?	That is correct.
What are the reasons for that?	We carry out a simplified public recruitment-type proposal each year, and

	<p>for the first 2 or 3 years, other companies participated in the proposal. The consultant, who has continued because of the details of the work, was able to make a high quality proposal because it was possible for them to reduce expenses and I think the situation now is that it is difficult for other companies to enter. However, with regard to the question of whether to use a negotiated contract on a special assignment, there are other construction companies apart from Nippon Koei that can do environmental monitoring work so we make a selection each year by recruiting bids impartially.</p>
<p>OIST should probably think about balance regularly, whether or not there is potential for other companies in the industry (other construction companies). Moreover, it is necessary to think about price negotiations and various other things in accordance with the situation.</p>	<p>We conduct price negotiations each year. The range of construction is getting gradually narrower so reductions have also become possible.</p>

2. Negotiated contract matter

[6] Purchase of 2 sets of miniature fluorescent microscopes

Opinions / comments of committee members	Explanations, etc., by the Secretariat
Are price negotiations possible? What kind of data should price negotiations be carried out upon?	The researcher who made the request carried out price negotiations to a certain degree at the stage prior to a purchase request going to Procurement and Supplies Section. Procurement and Supplies Section negotiated the terms of payment and transportation and tried risk hedging the contract.
How is OIST carrying out negotiations with an English company?	We do that by e-mail.
Was the use of a negotiated contract even though the amount exceeds 5 million yen due to a judgment that it would probably be easier to have it approved if it is an overseas supplier?	It was basically due to be managed using a competitive procedure, but the procurement policy states that even if the value is 5 million yen or more, a negotiated contract can be used following certain procedures if the manufacturers who can supply the item are limited. We applied those procedures this time because of the very special background of application for the existing early access program.
With regard to the prices of special research equipment, should OIST survey information on price such as databases or various other information or other university research institutions?	If it is something we have results for at OIST, we get the contract data. There are also cases where we refer to the procurement of other universities or research institutions or the purchasing results of contracting departments.

[7] Purchase of 4 Illumina sequencing reagents

Opinions / comments of committee members	Explanations by the Secretariat
<p>For example, did OIST investigate how much it would have cost to buy in Tokyo?</p>	<p>We always carry out surveys of prices. There are also a lot of places that conduct unit price negotiations with manufacturers in accordance with the scale of the facility and annual quantities of use. There are places where reagents are delivered more cheaply than OIST that are big in scale, etc., but it feels like OIST is probably getting superior discounts if you think of facilities on the same scale as OIST.</p>
<p>Are there any laboratories or universities in Okinawa using similar reagents? Could OIST not carry out joint procurement with them?</p>	<p>There are. This is currently being investigated.</p>
<p>Is there a relationship between the scale and price of purchasing, like this price for this quantity?</p>	<p>There are some items in regular price lists that are bunched to a certain degree, and others that are not. We are consulting with manufacturers to ask if there could be bulk buying effects if we use so many tens or hundreds of something annually and make annual purchases on this kind of scale.</p>
<p>Would it be better for the companies with regard to items that OIST purchases regularly to have purchasing procedures like that although there are things like unit price contracts, etc.? If OIST continue with 1 company for 2 or 3 years and a more competitive supplier appears, should OIST not make them compete?</p>	<p>We originally had a unit price contract. The manufacturer sold the test equipment itself explaining that it only allowed the distributor that delivered to OIST to wholesale the reagents. However, handling by one more company with an agency contract with that manufacturer is realistically possible. Because that distributor is wholesaling to another organization in Okinawa Prefecture, we</p>

	<p>judged that there was no way we could have no competition at all and introduced the system this time whereby we compare estimates between the 2 companies.</p> <p>In addition, there was the demerit that we might miss superior prices during the periods of campaigns when delivery prices less than the unit price were presented if we made unit price contracts.</p>
<p>If purchases of consumable supplies and maintenance services are required after product purchases, I think that if you look at how equipment will be used in the future at the stage when the equipment is purchased initially, it is possible there will be cases in which initial costs are high, but running costs are cheap so looked at long-term (comprehensively), that option would be cheaper. How do you choose with regard to the risk that consumable supplies, etc., will become necessary later?</p>	<p>It is not included in the contract itself, but we consult to a certain degree over how much consumable supplies will be later on. Although there was a 10 to 15% discount at the start, we are continuing negotiations to see whether we can purchase at a slightly bigger discount than initially forecast of 20 of 30% after we have built up a track record of operations. With regard to repairs and maintenance too, we have manufacturers present amounts at the time of tendering for the main equipment and make efforts to use that information as reference material for the negotiation of repair and maintenance contracts after the expiry of warranty periods.</p>

Opinions / comments of committee members	Explanations by the Secretariat
<p style="text-align: center;">—</p>	<p>(Individual questions from the OIST side) We would like to ask about the procurement of advertising placement and what the preferable selection method is, in contrast to the case where a commissioned sale format to multiple sellers based on the same price has been adopted. Because detailed information exchanges and the handover of manuscript data are normally carried out by e-mail, there is no need to consider geographical factors in the selection of the sellers. We are in a situation at the moment of having selected a seller who we have done business with before but are there any problems from the perspective of fairness? We have been introduced to methods such as drawing lots if there was an initial tender at the same price and selecting a winner at the discretion of the contract manager if estimates have the same price. However, it is not possible to completely eliminate arbitrary factors so we would like to ask if there is any other preferable method.</p>
<p>- Determining by drawing lots is basically irresponsible as a procurement manager. OIST should determine the winner based on its own rules.</p> <p>- Speaking strictly, I think that determining by drawing lots after doing a competitive tender is the normal method and I think doing that for small things or if the amount of a negotiated contract is small and OIST thinks that the same</p>	<p style="text-align: center;">—</p>

<p>supplier could be judged to win, I think OIST could choose on that basis.</p> <p>- If trouble is occurring in the local society of Okinawa, it is also conceivable that the suppliers could form an association and OIST could make a contract with the association.</p> <p>- The purpose / aim of demanding fairness is conceivably to prevent cozy ties based on polarized selections so I think there would be no problem if OIST could somehow guarantee a method such that there were no cozy ties. I think OIST should handle this in light of the purpose / aim of fairness so that nobody suspects there might be some kind of kickback because the margin falls when jobs increase at just one company because OIST is deciding on work just for it.</p>	
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(3) Schedule for the next meeting and Duty Member for the extraction of cases
The Secretariat explained the schedule for the next meeting as follows and this was approved.

Meeting to be held in Tokyo in January 2015

Committee Member Nemoto is scheduled to be on duty to select cases for the next meeting.

(Committee Member Kashitani -> Committee Member Nemoto -> Committee Member Sakihama -> Committee Member Tada -> Committee Member Tanaka -> Committee Member Namerikawa -> Committee Member Uchima)