

7th Meeting of the Contract Review Committee, Summary of Proceedings

Okinawa Institute of Science and Technology Graduate University

1. Date and time January 30, 2015 (Friday) 9.30 - 11.30
2. Venue Room 1 Maru Building Conference Square, Tokyo
3. Attending committee members
 Toshiaki Tada, Takao Kashitani, Susumu Namerikawa, Naoto Uchima, Hideaki
 Tanaka, Hidemitsu Sakihama, Mitsuhiro Nemoto
 Observer (OIST auditor): Kiyotaka Soma

4. Overview of proceedings

(1) Extraction of cases for review

Committee Member Sakihama reported to the effect that 6 cases were extracted by contract format from 188 subject cases.

(Goods / services: 5 cases, construction work; 1 case)

(2) Reviews of individual cases

1. Competitive bidding cases

[1] Purchase of online journal back files

Opinions / comments of Committee Members	Secretariat's explanation and response
<p>Only 1 distributing company handles these journal back files, but is the use of a negotiated contract not allowed in this kind of case? Is it possible that the price will be lower by using general competitive bidding?</p>	<p>At OIST, a purchasing price of 50 million yen is the standard and basically, above that, we use bidding. Even though there is only 1 distributor that handles these files, that is based only on the range investigated by OIST and it is difficult to judge. The companies that can provide things like journals are limited so if we knew that there was 1 company, it may be that negotiation would produce a better result than bidding so we would like to investigate this from now on.</p>
<p>Does the domestic distributor have an exclusive right? Is it not possible to conclude a contract directly with an overseas provider? Do contracts have to be made for single fiscal years?</p>	<p>The presence or otherwise of an exclusive right differs depending on the title. There are publishers who specify a Japanese distributor and others who only recognize direct contracts. In the latter case, we conclude contracts directly with overseas.</p> <p>Normally, term of contract between the provider and OIST is from January 1 to December 31, but in this case, because they are archive publications, it is an outright purchase. These files are not being sold throughout a period of time.</p>
<p>Does using a negotiated contract cost more as administrative work?</p>	<p>Negotiated contracts are also reviewed by the Procurement Committee if the contract exceeds 5 million yen so I am not conscious of it being easy to do.</p>
<p>There are cases that a retail store territory system will grant monopolies to each store or each region. Depending on the case, it is possible that problems could occur in terms of antitrust law so I would like to make this a subject from now on.</p>	<p>—</p>

<p>Putting aside that goods are not being handled, is it conceivable that you could use the method of purchasing goods together from a certain company and hold negotiations to reduce the price? Purchasing items together ought to be cheaper normally. Between a case of general competitive bidding and the method of purchasing goods together and holding price negotiations, which case has more room for reduction in price? However, it is difficult to explain in the latter case even if you have results. How do you feel on that?</p>	<p>If you consider successful bid rates, neither contract method will end up at 100% so we think that the merits of competitive bidding have come out this time. Depending on the case, as the Committee Member says, there would be chance to draw out further discounts in negotiations.</p>
<p>Because it is basic to consider whether to buy or to contract in accordance with the character of the finance / service, you must make it possible to explain the purchasing process at times of negotiated contracts. I think there are a lot of cases when it has no choice but to use negotiated contracts because a university buys some rather special things. If a proper explanation is possible, negotiated contracts are a contract method recognized in law so I think they should be used positively.</p>	<p>—</p>
<p>OIST is not an R&D corporation, but I think it is close to that. It feels like the R&D corporations have become able to have to slightly more flexible handling in their procurement methods in the latest reform of independent administrative agencies, so I think it would be good to investigate based on that.</p>	<p>We gathered some information on R&D corporations in the latest reform of independent administrative agencies and guidelines were presented by the Ministry of Internal Affairs and Communications in October. We obtained those and although OIST is not an independent administrative agency, we would like to incorporate the good parts. At the administrative level, we would like to present a proposal for OIST to act more flexibly at the next meeting of the Contract Review Committee.</p>

<p>If purchases are made using negotiated contracts, the question is whether or not we have information. I do not think prices will come down as long as you do not investigate the purchasing methods for similar methods at overseas universities and other universities in Japan and investigate room for cost reductions. I think there will be some cases where general competitive bidding is better if you consider how far to investigate and input costs, but you should use some ingenuity over purchasing methods.</p>	<p style="text-align: center;">—</p>
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[2] Purchase of a cryogenic transmission electron microscope set

Opinions / comments of Committee Members	Secretariat's explanation, etc.
<p>Are there only 1 company that makes this equipment and several distributors?</p>	<p>There are a lot of manufacturers that make transmission electron microscopes. The usage reviewed and submitted by the Specification Formulation Committee this time contained partially limited specifications. However, in the case of this manufacturer, because there are at least 2 trading companies that could be distributors in Okinawa and a lot including those on the mainland, it was not the case that there was no room for competition even if purchasing was restricted to this manufacturer's model. Because of that, we used a bidding process. However, it was non-predictable how many distributors would participate in the actual bidding process.</p>
<p>What percentage was the wholesale to retail price ratio in the setting of the target price?</p>	<p>The purchasing result last time was that we purchased at a ratio of 0.6 (60%) of the recommended retail price and we had a lower ratio than that of 0.581 (58.1%) for the target price this time.</p>
<p>Who are the members of the Specification</p>	<p>The committee is formed by at least 5 committee</p>

<p>Formulation Committee and how does the committee work?</p>	<p>members as standard. In many cases, the chair is the person who desires the introduction of the equipment or a representative of the group. The committee members are professors, researchers or representatives of a group that also wants the introduction of that equipment and who have detailed knowledge of that area within OIST. Apart from them, there are about 2 professors or technicians from external laboratories, etc. The composition of the members changes with each model and a committee is established for each case.</p> <p>In many cases, original draft specifications are circularized by e-mail from OIST, and the chair explains the purpose of installation of the equipment and how it is going to be used in experiments for committee members to understand. The subsequent flow is that we receive advice and opinions, revise the parts lacking in the original draft specifications or the parts where we have written too much, and then finally obtain the agreement of the committee members with regard to the bid specifications and then use them in bidding.</p> <p>When OIST tries to do cutting-edge research, there is an element of inevitability that equipment will also have to be cutting-edge too and if that is so, there will be a lot of cases where there is only 1 supplying manufacturer. In order to ensure objectivity, OIST has established a standard of 50 million yen. For cases of 50 million yen or more, we prepare specifications that have been looked at externally for each matter and carry out bidding after guaranteeing a certain degree of objectivity.</p>
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<p>Because research equipment, etc., is special, I think it is important whether a judgment could be made based on responsibility and expertise.</p>	<p>Unlike general purpose items, each manufacturer is trying to develop a niche market with its respective cutting-edge technology, etc. If we want to introduce that kind of function to research, we end up with 1 manufacturer that can provide it or another manufacturer can do so, but it requires an expensive option and there is a tendency for them not to participate in bidding. If the item is a little more general purpose, it is possible to investigate delivery results at other universities'. However, if it is expensive equipment or customized, there are a lot of cases where there are no delivery results at other universities so investigations are difficult. At such times, we cross-check results at other universities or general research laboratories for similar equipment, etc., and investigate target prices based on those results.</p>
<p>It may be helpful for the next purchase if you conduct an after-the-fact check with regard to very expensive items.</p> <p>Using the equipment to carry out R&D is the aim so I think it is important to notify researchers in advance that there are procedures to verify whether they have been able to achieve outcomes properly. Furthermore, it is conceivable that there will be some cases where it will be possible to make simpler specifications from the next time on by investigating whether or not there were excessive specifications.</p>	<p>An Internal Audit Team is currently investigating how the equipment itself has been used. However, as you pointed out, it is not verified how much it has been used at the option level by digging into the function based on the specification. We would like to be able to raise examples and examine that from now on.</p>

<p>If equipment has been purchased, do researchers do research in an environment where they can use it freely?</p>	<p>With some advanced research equipment, it takes time to learn how to operate it. Also, there is some equipment that requires technique, like doing detailed setting up and adjustments before they get to observe a sample for the first time. For that kind of equipment, we appoint a dedicated technician and the researchers request the observations from that technician. This is indirect, but we do maintain an environment where researchers can use equipment freely.</p>
<p>Are there no equipment leases?</p>	<p>There are leases too. However, leases end up more expensive than purchases price and they are rather expensive even if we make 4 or 5 year contracts. Purchases allow a lot of flexibility to customization compared to the leases. In addition, if equipment was customized for research, there would be fewer people want to buy when you thought of secondary sales for industry. Because of that, lease fees are higher in the end and we feel that it is not possible to negotiate with favorable conditions. In the case of OIST, if we have greater advantages than other universities, we make all large-scale items shared equipment. We confirm organizationally that equipment is being used effectively by concentrating management in a single place and providing the required training to users, etc.</p>
<p>How about using designated competitive bidding? Theoretically, designated competitive bidding is the best. However, it can turn into bid-rigging. If there are systems to control that, I think designated competitive bidding could be good.</p>	<p>Designated competition was a general social problem a few years ago and although we did it up until about 2006, we have done none at all since then.</p>

[3] Master plan in association with campus expansion

Opinions / comments of Committee Members	Secretariat's explanation, etc.
<p>There were applications from 5 companies, but what was the reason for deciding on this 1 company?</p>	<p>Committee members rate and evaluate applications for advertised proposals conducted by OIST and the company was selected as a result. As for the standards for evaluation are the objective standards such as the qualifications of the applicant, its technicians and company capabilities, etc. With regard to the demand for a planning proposal, there are items that the degree of understanding of the OIST project and philosophy, how to approach to the project, the work schedule and a system of teams engaged in the master plan schedule. Those are the first things to evaluate within the proposals. In hearings, we interviewed about things like how they evaluated the effectiveness of OIST campus maintenance, how research trends and educational trends at global graduate universities will be addressed at OIST, approaches to interdisciplinary research as a global top level educational institution, R&D, how to maintain systems that can output those things effectively, gradual campus maintenance and expansion plans that do not interfere with research activities, and consideration for Okinawa's unique climactic conditions and the surrounding environment, etc.</p>
<p>About how much are the construction work costs? What size of project do you expect?</p>	<p>The scale will be about 12 Lab buildings and up to 300 faculty members. There are currently 50 faculty members so the size of this project will multiply them by 6. The project will probably cost about 100 billion yen. Because of that, we will prepare a master plan for things like where to set out buildings, etc.</p>

<p>Will you make things in order, like 1st stage, 2nd stage, etc.?</p>	<p>Currently, we have only been able to manage Lab 1, Lab 2 and Lab 3, but the design for Lab 4 is in the draft budget for next fiscal year. It is not the case that we only have to think about where to set out Lab 4 when we build it, we have to think about the whole project overall so we are making a master plan.</p>
<p>Do you proceed with construction on buildings after obtaining the budget for them?</p>	<p>That is correct. This is just the designs for Lab 4, but we investigated whether all of the buildings would fit if we built Lab 4 in this position first.</p>
<p>Will you not consider the cost of preparing a master plan? You have to balance quality and costs.</p>	<p>Because the advertised proposal is for so-called services, we are looking at what kinds of services are possible with what kind of systems, and checking a number of people and level of technicians.</p>
<p>Is there anything like negotiations on individual content? For example, design changes, etc. Is it possible that there will be room for improvement in individual plans?</p>	<p>The OIST grounds are located in the mountains and we have to consider the environment. Partly because there was an overseas supplier this time, simple building lay out plans were produced at the start, but those plans did not match the geology and there was insufficient environmental consideration, etc., so we investigated and had a number of sessions. The supplier submitted the final plans, we communicated to them the places that were odd in terms of landscape and the positional relationships of the new buildings with existing research facilities, etc., and prepared the master plan.</p>

<p>I think that public and private designers use various types of ingenuity in the design of public projects so studying the best practice is the most important thing. Also in construction methods, public builders are slower at construction and private companies have various ideas. You are promoting this project including construction so I think you should study those areas.</p>	<p>It is as you say. In several of the proposals, things such as how to incorporate public transport systems on a large campus have been proposed.</p>
<p>It seems to build on mountains, but normally that kind of civil engineering project is large-scale so I think it will require a difficult budget. Is the land owner private?</p>	<p>The owner of the land is Onna Village.</p>
<p>There are companies A to E on the proposal review table, but which is this company?</p>	<p>This company is Company E.</p>
<p>Does Company E have any relation with the company that made the original contract?</p>	<p>The initial company was Company C.</p>
<p>What is the standard for showing the target price as dollar-denominated and yen-denominated?</p>	<p>Because it was supposed that an overseas company would receive the order, and because the advertising was also produced in English, we used the dollar and the euro, which are international currencies.</p>
<p>If the budget framework is about 600,000 dollars and that becomes the target price, at what stage do the companies get to be informed of that value?</p>	<p>The 600,000 dollars was stated clearly at the time of the official announcement in the advertising.</p>
<p>Is a successful bid rate of 100% almost meaningless?</p>	<p>That is correct. There is no sense in this way of doing it. There are no other matters where the rate is 100% and it is nothing more than doing competitive negotiated contracts.</p>
<p>How about running the process without showing amount?</p>	<p>We would be questioning the service content. If we did bidding without showing an amount, the contract would end in failure supposing the amount was less than or half of it the company had expected.</p>

<p>Quality and price are in a trade-off relationship so I think that it is possible to make a cost-effective selection. There are figures to be made at the budget stage in the master plan on the value there is in spending 600,000 dollars to do this work. What are the grounds at the budget stage for the 600,000 dollars?</p>	<p>In this case, the consultants will form a team of technicians from civil engineering, construction, electrical / machinery and landscape design to execute the design work. The concept was to build up the man-hours required over 6 months and confirm the costs.</p>
<p>When making the price, you made reference to the unit prices at overseas design offices and I would like you to explain that.</p>	<p>We supposed a work period of 6 months and an executive class designer at a top class design office overseas would be working for 10 days, for example, during the work period. Supposing a labor cost of 3,000 dollars a day, that is 30,000 dollars and when you accumulate the work volumes and labor costs simply in the same way, the total gets to between 300,000 and 400,000 dollars.</p> <p>After that, the contractors outsource work in preparing the university's master plan to an expert cooperating company, said costs would be 30 to 40%, or 100,000 to 160,000 dollars.</p> <p>Considering the case where an overseas company received the order, there would be business trip costs to Okinawa about 8 to 10 times during the 6-month period so that would cost about 80,000 dollars. Totaling all of those, we thought that it would probably be possible to do the work in the range of 500,000 to 640,000 dollars and set the planned price at 600,000, slightly higher than the median of that range.</p>

<p>In the case of Okinawa Prefecture, we use a planned competition method and publicly announced the design contract fees initially saying that we wanted to prioritize good plans over cost reductions. However, depending on municipality, there are cases that biddings are conducted without publicly announcing the fees on design contracts of normal designated competition. In the case of this kind of design proposal, I think it is OK to publicly announce the amount because the content of the plan is important.</p>	<p>—</p>
<p>Was there a plan so that if a Japanese company entered a bid and there was a contract with that company, the publicly announced dollar-denominated payment would be adjusted to Japanese yen?</p>	<p>If a Japanese company received the order, we intended to contract in Japanese yen. The 600,000 dollars in the advertising was equivalent to 60 million yen.</p>
<p>Would costs for air tickets be reduced if you contracted with a Japanese company?</p>	<p>It is as you say. However, in the case of a domestic company, the distance would be closer so it was estimated that the frequency with which they actually came to OIST would increase. Business trip costs would increase in that case so we would have to do the calculations again.</p>

[4] Procurement of general furniture for Lab 3

Opinions / comments of Committee Members	Secretariat's explanation, etc.
Was a lot of the furniture tailor-made so that it would match the spaces?	That is correct. It was almost all special orders manufactured at factories overseas.
The title says "general furniture." Is this general furniture but special order items?	At OIST, we distinguished between general furniture and laboratory furniture, and the latter is manufactured and installed almost like interior finish construction work. We use the phrase "general furniture" but these are also special order items. For furniture other than special order items, we put it out to tender as ready-made furniture.
Do other companies that have participated in bids also manufacture furniture overseas?	I think they are probably the same. It is not the case that they have to manufacture furniture overseas, but it has come to be that way because of price competition.
Not limited to this case, I think that this purchasing can be divided into 2 types: a supplier that increases the target price or reducing the specifications matched to the target price. Is it possible for the contractee to make that kind of choice?	On the design side, it is possible to change the specifications with ready-made furniture, and it is also possible to simplify the customization. However, because the specification would be changed after the bidding end in failure, the procurement would take more time.
Why was there such a difference with the initial bid amount? How much of a difference was there?	It was not that great a difference.
If too big a difference opens up, it will be rather difficult to make a negotiated contract. How do you handle those cases? Are the designs revised?	Because we have limited budgets, normally, we would drop down a level and revise the designs.

[5] Job advertising in Rikunabi NEXT

Opinions / comments of Committee Members	Secretariat's explanation, etc.
Is this a set of coupons that can be used 9 times in a year?	That is correct. Consequently, if you would use them 4 times and 1 year had passed while there were still 5 times left, they would expire. If you draw up a tentative plan for 1 year and made a 1-year contract, the risk of invalidity would increase.
Is it possible to change the content of the advertisements?	Yes, we can make changes. The system is that we make orders under a concept of unit price contract.
	This company says that it only sells 9-coupon sets. Because of that, the only way we have is to compare this company and others that which is better to advertise in. However, the situation is that we are using this company in accordance with needs because it has a high share as for now.
Even supposing that it is a multiple coupon style system, it is not conceivable that the unit price will be different when a different number of tickets have been purchased. Supposing that were the case, would it not be better to buy a lot?	We have purchased these coupons through a retail store so we will try to consult directly with Recruit.

[6] Narration recording costs for the English version of the code of conduct

Opinions / comments of Committee Members	Secretariat's explanation, etc.
Has delivery finished?	Delivery has been complete.
Is there no trouble even though it was cheap?	I have heard that the supplier discounted the price because we had ordered before.
Was it similar price that items ordered in the past	The past orders were at a slightly lower price.
	<p>Generally speaking, each translation is for a comparatively small amount so the figures are difficult to see. If we get multiple estimates, there are considerable differences. There was no trouble this time, but if we ordered a translation to the cheapest supplier, we tend to re-check the delivered translation on our side. We would like to look at quality rather than going for the cheapest supplier based on multiple estimates.</p> <p>At OIST, because we have to translate all of our regulations, we need want proper English level especially translating the subtle expressions of laws. Based on our previous experience, we need to exclude suppliers that are not suitable for legal translation etc. when we get multiple estimates from several suppliers because it can be interference with our operations.</p>
<p>What would you do if the quality of a translation was too bad? Depending on the case, I think you would be better to deal with like presenting a correction history of changes you have made and reducing the payment amount, etc.</p>	<p>In the case of translation, it may require having the same translator through to the end, etc. for uniformity of words.</p>

<p>Private companies can insert cooperative consultation clauses so that they can make corrections to the delivered translation and make the supplier consult with them after that. That is rather flexible and conversely also vague. In the case of large volume documents, there are some cases that the work is divided into parts for each translator. At those times, 1 person is asked to take responsibility for revising the translation overall from the perspective of uniformity of words.</p>	<p>We would like to make reference to those methods.</p>
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3. Questions from the committee members

<p>Are there any cases where a contract has already been made and is being performed, but the supplier has requested the cancellation of the contract or changes to it because of the strong yen or material price increases?</p>	<p>No. However, because the prices of materials will increase with the weaker yen, we will be in a situation where the weaker yen will be reflected in the contracts we make from now on.</p>
<p>You explained that the budget has increased considerably, but is the execution system alright?</p>	<p>Organizing the personnel system versus the growth of the budget has not quite kept up. We have to organize the personnel system for next fiscal year.</p>
<p>There was an article on newspaper that budget for next fiscal year has decreased, but was there any great trouble in particular?</p>	<p>There were advance investments in equipment for R&D-related research so that portion of the amount was reduced. Also, the budget for next fiscal year contains only the design costs for Lab 4 and no construction costs. Because this fiscal year's budget contained construction costs, there are fluctuations between years of construction and years of design.</p>
<p>Where is the OIST budget categorized?</p>	<p>It is categorized as a science and technology-related budget.</p>

<p>Also including purchased goods and services, are there statistics in fixed categories of what and how much you have bought? Rather than 2 or 3 categories, is there any slightly more detailed data arranged by amounts on what and how much you have bought? If it is possible, I would like to see that.</p>	<p>We have not yet been able to start the accumulation and analysis of data on goods and services purchased. We think we could obtain statistics on purchases such as large-scale research equipment, supplies and general goods. We will prepare those for the next committee meeting.</p>
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(3) Schedule for the next meeting and committee member on duty to extract cases

The secretariat explained the schedule below, which was approved.

July 2015 To be held in Okinawa

The next committee member on duty to extract cases is scheduled to be Committee Member Nemoto.

(Order of Committee Members: Kashitani → Sakihama → Nemoto → Tada → Tanaka → Namerikawa → Uchima)