

8th Session of the Contract Review Committee: Discussion Summary

OIST School Corporation

1. Date & Time Tuesday July 21, 2015 from 14:30 to 17:00pm
2. Location OIST Onna Campus, Lab. 3, Meeting Room C700
3. Attending Members Toshiaki Tada, Takao Kashitani, Susumu Namerikawa, Makoto Miyagi,
Hideaki Tanaka, Hidemitsu Sakihama, Susumu Katada

4. Outline of Agenda

- OIST Outline

Explanation has been provided by Administration Office pertaining to OIST outline.

- Agenda

- (1) Selecting items for discussion

It was reported that Mr. Katada sampled 6 contracts out of the 481 contracts up for the review, selected based on contract types.

(Goods & Services, 6 items)

- (2) Discussions regarding each item
 - 1. Competitive bidding items
 - (i) Lab 3 procurement of ready-made furniture

Comments & Opinions by the Committee	Secretariat Explanation, etc.
Why did the initial bidding become unsuccessful?	There were 4 bidders, but all of their bids were short of the target price.
What kind of method was used to set the target price in the second bidding?	Reference estimates were received from the 4 parties who had bidden, and the lowest of these prices was used without changes of the items and quantities,
What is the reason that the actual price became different from the original target price?	The original target price was calculated based on the past record of the furniture procurement for Lab 2, but due to increase the prices of materials, unit, and currency rate fluctuation, the actual price became higher than we assumed.
How much have unit prices for materials risen?	The unit prices have risen approximately 10% by considering the difference from the original estimated price.
Why were there only 4 bidders for the ready-made furniture?	It is because only companies have business with large-scale department stores participated. As considering the procurement amount, only a limited number of companies could handle such the amount.
OIST ordered a large amount of furniture goods. However, was there any possibility that those orders could have been split into different vendors to increase competitive advantage for a better contract?	There is characteristically a high ratio of shipping cost for the large quantity procurement. It could make it reasonable and easier to minimize shipping, assembly, and installation costs as comparing to ordering them separately if we order everything at once.
About how much was shipping costs?	About 8 million yen, as seen in the documents.

(ii) High Performance Computing Cluster (HPC) set purchase

Comments & Opinions by the Committee	Secretariat Explanation, etc.
–	Evaluation standards etc., are as per the documentation. Since each company proposes similar parts and configurations, aside from the benchmark results, there is no significant difference.
What does the “benchmark” indicate?	It shows the results of the processing speed and efficiency etc., by processing a specific program. To evaluate the computer performance, we asked each bidder to submit the results.
How can we interpret the pointed differentials in the results?	The one with the best benchmark results receives 12 points and the second best 8.4 points (70% of 1 st place). The lowest result receives 0 points. Since there are no differences in hardware configuration, practically the benchmark rankings are reflected in the pointed differentials in the results.
It seems that the balance between the ability point and the difference of price is to be concerned. The successful company for the bid wasn't the one with the lowest price, however it seems to have a high ability point. Having a relative ration between the technical point and differences of price as 50:50 shows that the technical point has more value than differences of price?	It's a high value procurement order, and also an area of advanced technology, therefore, both technical rating and price point should be important.
Did you review whether or not the technical point was met the standard of requirements for specification?	We reviewed the technical proposals.
The successful bidder got 0 for one of the benchmarks. However would that mean it had a problem on performance?	It is just a rank based on a result of the test and we confirmed that there was no problem on a technical part from the result of other evaluation items.

<p>There are some contracts that the price for a system is relatively cheap, but the maintenance cost is expensive. What would you think about this point? In general, a contract like this case includes a maintenance cost however does this contract include it as well?</p>	<p>We ask vender to include 48 to 60 months the maintenance cost in the price.</p>
<p>That means that the bid amount also includes 48 months of the maintenance cost?</p>	<p>For this purchase the bid amount includes(?) the system and the maintenance cost of the 1st year. Since more hardware is scheduled to be installed, maintenance costs will also change in accordance.</p>
<p>Had technical evaluation and price presentation done at the same time?</p>	<p>First, the proposals are evaluated, and the bids are placed later on.</p>
<p>How did you set out the target price?</p>	<p>We get estimates from 4 parties, and the lowest estimates is selected.</p>
<p>Since if there weren't differences in the scores with the exception of certain rating items, wouldn't a formula with greater emphasis on pricing make more sense for this HPC case?</p>	<p>Unless the proposals come out, it's difficult to know that there isn't a difference. However, I'd like to deal with the next procurement based on what has happened this time.</p>
<p>It seems possible that once the required technical specifications are met, the next step would be to formulate a comparison based solely on pricing. For example, would it be possible to make 600 points or above be enough to pass the technical evaluation, and proceed with bidding only for those who pass?</p>	<p>It's possible. I'd like to consider it.</p>

2. Private contract format

(iii) Environmental monitoring survey in the fiscal 2015

Comments & Opinions by the Committee	Secretariat Explanation, etc.
How did you prepare evaluation standards?	We created them by getting approval from the selection committee.
What is the reason a company was chosen by negotiated contract?	Data and the know-how are accumulated year by year. Therefore it is difficult for newcomers to get this contract and continue the monitoring. The newcomers need to be familiar enough with survey materials up to precious fiscal year, and it seems that the bid price would be a disadvantage.
If the monitoring survey is focused on the water quality, it wouldn't seem such difficult skill is needed.	In addition to the water quality, the monitoring surveys include ecology and growth surveys for valuable plants, animals and conservation. As regarding to plants and animals, a knowledge that is accumulated in the OIST campus would be needed, and the skill must reach to appropriate level.
Does the OIST fully understand the method for the surveys?	This can be checked since it's written in a completion reports which disclosed each year.
It is understandable that the monitoring surveys take a lot of time and efforts at first. However, wouldn't it be a general survey for the monitoring? Is it worth to make a contract as a proposal method?	Because it is a general survey, we need to review certainty and quality of knowledge and a method of implementation. As considering geographical characteristics, such as the sea area where aquafarming takes place, existence of valuable animals and plants, the simplicity of a competition just based on the price needs to be avoided.
Is the contract price expensive, or reasonable?	I believe it's reasonable. Survey items have basically become generalized and the breakdown mostly consists of employment cost.

Does the survey implement at the same location?	The location is mostly the same. The monitoring has implemented in parallel with a construction for example, when a construction is conducted on Lab.3, the monitoring would be focused around the area. The location can be changed by the year or period of time.
An allocation of work could be reconsidered in order to encourage other companies into the bidding. For example, it could reduce and the know-how should be thoroughly on a specification.	It might be difficult to look for another company in Okinawa. As stated above, most of the costs is for employees. Therefore it would be disadvantages to offer to a company outside of Okinawa. Moreover, it is said that an assessment firms in Okinawa are short staffed.
How is the job performance of this contractor?	There are no problems with their reports or the monitoring surveys.
Estimates have been submitted 5 times, do you think this is pressing a bit much? How many times can bids be placed within the minimum time requested?	Bids can be entered up to 8 times for goods & services. For construction the maximum is 4 times.
It seems better to put value on job performance and a completion report, and review the estimates minimally.	-
As like this case, which needs investment in initial vendor and contracts continued over multiple years, it would be to consider a multi-year contract for adaption.	There are practical examples of this case such as contracts for building management, so I'd like to consider it.

(iv) Financial accounting system architecture (setup, customization, hardware and hardware maintenance)

Comments & Opinions by the Committee	Secretariat Explanation, etc.
Is a standard of accounting in the system set up for OIST school corporation?	Yes. We use our own accounting standards which relatively close to the one for the independent administrative institution. It also includes standards which is required to the private schools.
Was is difficult to predict the items, which improve for this time in developing the specification of the existing system?	The existing system has been used since the school was established. Through growing of the organization, the items that are needed to be improved had been recognized, and those were difficult to be predicted at that time.
It seems difficult to build the system both in English and Japanese. However it seems there would be no concerned for accounting itself if it is either language.	We agree with your point. However it is difficult because there are same users who only use in English, while a data for report must be written in Japanese.
It is said that the fewer customizations for this system, but what point made you have contract with the consultant?	The consultant has met with both of quality and cost. The consultant gave us suggestions with details, which allocate objects to each individual groups etc...

(v) Outsourcing Okinawa coastal waters oceanographic surveys performed by medium-depth floating oceanographic observation units

Comments & Opinions by the Committee	Secretariat Explanation, etc.
How much was the price of the service to construct the building (sub-system) last fiscal year?	Around 25 million yen.
Was it enforced by competitive bidding last time?	Exactly.
For negotiate contracts like this case, how can you make sure that the price isn't hovering in the high range?	We compared performances and estimates for the price of items in common with the previous contract, and if there are changes, we review the reason of those changes. However, there were no changes in this case.

Would the number of personnel and man-hours be the review point?	Indeed.
Did you review the same points, which are numbers of personnel and man-hours regarding the software development in this contract?	This software is highly specialized only for the device. Therefore we didn't review the items with the general list, which is formed by unit price lists for SE and programmers.
Was the budget for this contract allocated to the research unit?	Indeed.
Is there any chance of communication between the research unit and the contractor beforehand?	There is a lot of communication particularly for matters that include policies like this case. It is necessary to explain designate principles and research objectives to get an estimate.
By observing the case, does it tend that only one company participate in the competition?	Yes, exactly it does. We are struggling with how to put an environment together, in which there can be competition for this type of a production.
It is important that a structure rationally supports the negotiate contract like this case.	Yes, indeed. No parties but the contractor bid on this contract. However, this contractor is not the only one to be able to design contract like this contract.
It might be better to interview with potential contractors.	I'd definitely like to consider that.
Like this continuing contract, there are some cases that an initial contract was concluded as a cheaper price, however the continuing contract is getting expensive and collect the discount.	The price is actually lower than the previous contract, and as stated before, we reviewed prices, and this is not one of those cases.
This is an experimental development of the device, but will this contractor get involved in actual planning and production?	The electric generator has been developing <i>different uses</i> the configuration and the field of technology. It is possible we could send the test data, but they should not be a major participant in the main project phase.

Including the previous time (the first time), has the competitiveness become the general process?	I believe competitiveness has been inherent as comparing to the beginning. Those bids can explain the development of inherence. It's desirable for the company that successfully performed last time to continue on, and we made a negotiated contract with this company.
While organizing a system for cases of the negotiated contract, you need specific measures to keep from getting price inflated. When you evaluate the price, it's not necessary to be specialized excessively; however it's important to acquire the knowledge and skill to negotiate contractors.	—
It is a problem when procedures take a long time and it makes unable to research.	That's right. I'd like to work on building the system to emphasize on a speed, while checking the appropriateness of price.

- (vi) Detailed design work for Okinawa Institute of Science and Technology Graduate University area 7-1 east site landscaping etc.

Comments & Opinions by the Committee	Secretariat Explanation, etc.
How did you examine the rationality of the estimated price?	The target price was set out based on the number of creating drawings and the employees. Negotiations were implemented with examining on a number of workers and man-hours.
How do you review them specifically for the rationality of the estimated price? Based on the estimates on documents, it is multiplied prices of each process by coefficient, for example.	Basically it's as you said. According to the size of the company, Unit price of technician varies. However, I used to work for a design office and I have a certain level of idea for the market price.
What does "7-1" mean? Does it go up to "7-7"?	It refers to each construction area. There are 9 construction areas altogether (numbered 1 through 9). Area 7 is divided into 2 zones (7-1 and 7-2), and 7-1 refers to the village zone housing construction area. We have operated constructions with the development of the project for shortening the work period.

<p>Did this contractor receive the entire order for area 7-1? Isn't it too vulnerable to support the reason of a negotiated contract for this case only by the consistency and a landscape of the entire project? Isn't it necessary to make a contract as a competitive bidding by adding conditions like a consistency of the landscape etc.?</p>	<p>This execution design is an operation for construction of outside facility of complex housing as a development of housing project. The outsourcing company of this project is a basic designer of the complex housing and the execution designer as well. The construction of outside facility of the complex housing relates closely to the housing design. I recognize that other offices wouldn't come in the project conventionally.</p>
<p>Were 3 companies working together on the design until FY2013? The joint venture in this case is "A collective of Nikken Sekkei / Kuniken." The "contractor for the previous job ..." that is written in the negotiated contract briefing seems to refer to a joint venture of Nikken/Kornberg/Kuniken. The descriptions are not correct, therefore it requires further consideration.</p>	<p>A collective Nikken Sekkei and Kuniken is contractors on revising the basic design of the village zone residences, who are from the previous project.</p>

3. Rationalizing the approach to procurements (report from the administrative office)

Comments & Opinions by the Committee	Secretariat Explanation, etc.
—	<ul style="list-style-type: none"> • Explained the background of "The plan for OIST to operate flexibly in procurement methods. It refers to the R&D organizations in a reform of independent administrative organizations by the policy of Ministry of Internal Affairs & Communications guidelines." • Explained the preparation and direction of the rational procurement. Based on the policy from the Ministry of Internal Affairs and Communications, we consider specific reasons (qualifications) and conditions by drill down on PRP chap. 28.
Generally I think this is good, however a guideline should be developed for the fundamental approach to negotiated contracts.	—
It's a better way to have a conversational proceeding (negotiations).	—
<p>There are 2 points in explaining negotiated contracts.</p> <p>1) Avoid high prices.</p> <p>2) Lead to higher effectiveness in contract work.</p> <p>Guidelines should be included these points.</p>	—
It's also important for employees handling contracts to become a specialist in their field.	—
It is necessary to calculate how much it would cost including timing for bidding process.	<p>We receive some documents from a department 15 days before opening a bid, and prepare documents and material for the bid, for example. Currently it seems to cost a lot for bidding process by creating a document. It explains the reason of a negotiated contract. The approach for this time is to improve the efficiency of the bidding process with skipping the paperwork by categorizing.</p>
The general concept is important. How about	I would absolutely like to do that.

<p>setting out the method of selection, a qualification and a case in order?</p>	
<p>There would be no problem if you could set out and follow the rules with examining the characteristics of the procurement. For example, if it would be competitive price, make it by a competitive bidding, and if you put value on quality, make it by overall ratings or a proposal system. If those wouldn't work, make it by negotiated contracts with individual company. It would be reasonable by setting a flexible and rational rule including a conversational method.</p>	<p>We would like to set out the concept through the rules from a view of your point.</p>

(3) The secretariat announces the next date and a next council member on duty as agreed below

January, 2016 in Tokyo

The next council member on duty over selection of contracts will be Council Member Tada.

(Kashitani – Sakihama – Katada – Tada – Tanaka – Namerikawa – Miyagi)