

Compulsory competitive tendering

Kenneth Muir

Compulsory Competitive Tendering (CCT) is a very risky business to be in and a process fraught with problems if you are a contractor.

On the other hand it seems that if you want a service provided and you want to test the market place and discover who is willing to provide a service and what sort of service they will provide - then go to tender. In going through the tender process you discover who wants to provide the service, what they are willing to provide and for how much. You can gather all the ideas, without any obligation - usually there is no guarantee that the party asking for tenders will even go to tender.

Many times you can go to a great amount of trouble, time and effort to prepare a tender only to find that the intention was to get ideas on how to improve their own animal control department or to keep their current operator honest. I guess that is a business risk if you tender for work.

Tender documents for animal control work, especially in the cities, are now very thick documents that need very careful evaluation. It goes without saying that it is vitally important to thoroughly read and understand all the components in the tender document so that you can respond adequately in each area.

The advantages of compulsory competitive tendering is that councils get to see who is in the market place, what is available in the way of services and what difference there is in costs.

The problem with compulsory competitive tendering is that the price is constantly driven downwards and that means that to be competitive contractors constantly strive to cut corners and reduce service to stay within the budget.

In a recent contract that I tendered for the council advised tenderers in their tender document of the way in which they would evaluate each tender. There was a reasonably complicated formula which included converting the tender price to a grade as a first stage. The second stage involved weighing each attribute of the tenderer. The attributes are listed below.

TENDER EVALUATION

The second stage shall consist of multiplying the weight of each attribute, see below, by the grade of that same attribute and then divide by 100 to give an index for each attribute. The indices for each tender shall then be summed to give an overall index for each tender.

City Council shall review those tenders scoring the highest overall indices and shall exercise its discretion in awarding the contract to maintain:

- comparative performance between contractors; and
- diversity of contract resources.

Attributes

The attributes to be assessed in the tender evaluation process and their weightings are:

a.	Relevant experience	10%
b.	Track Record	5%
c.	Technical Skills	5%
d.	Appropriate Resources	5%
e.	Management Skills	5%
f.	Methodology	10%
g.	Price	60%
	Total	100%

a) Relevant Experience

Each tenderer shall submit a record of the company's relevant experience, in particular operational experience, which shows its suitability to achieve the high standards of service delivery expected as described in the specifications. Where subcontractors are proposed to be engaged, their relevant experience shall also be supplied.

b) Track Record

Each tenderer shall submit records that demonstrate their ability to:

- i. complete projects to target performance levels on schedule and within budget;
- ii. complete projects where flexibility of approach and co-operation with the client was essential for the success of the project.

Similar information shall be provided for any proposed sub-contractor.

c) Technical Skills

Each tenderer shall submit details of all the personnel to be employed on the services. These details should indicate each person's proposed involvement in the contract and demonstrate that their experience and skills, in particular technical experience and skills, are compatible with the contract.

The successful tenderer shall be required to provide evidence of their ability to work to these standards with the tender.

d) Appropriate Resources

Each tenderer shall submit details of ownership of any plant and equipment and facilities to be used on the services.

e) Management Skills

Each tenderer shall describe the management methods and skills which will be applied in order to successfully carry out the services.

The skills will include the management training given to staff at various levels, and the systems developed for communication between staff and with the Council. Systems developed for recording, reporting, and invoicing should also be described.

Each tenderer must indicate how they intend to ensure that the work site is always safe in terms of the Health and Safety in Employment Act 1992. The tenderer is required to furnish details of the company's safety record (ACC claim record) in terms of the Health and Safety in Employment Act 1992 and provide a copy of its health and safety policies.

f) Methodology

Each tenderer shall describe the methodology proposed to achieve the specified end result within the specified response periods.

This methodology should encompass, but not be limited to, the following:

- programming of services;
- selection of treatment/method;
- implementation/supervision;
- communication;
- invoicing;
- quality assurance procedures;
- management; and
- public relations.

Each tenderer shall include details of how the services will be carried out. The council has a particular interest in receiving details of how the quality assurance requirements will be met.

You can see from the weightings given to each attribute that, providing you qualify with the appropriate and relevant experience, track record, technical skills resources and management skills, along with methodology, even if a tenderer got full marks in each of these areas the weightings are such that 60% of the valuation is price.

Quality assurance requirements are common place in tender documents and it means that you need to have in place some methodology and procedures to enable council to be assured that your organisation has a quality management system and that it is audited independently.

For Animal Control Services our quality management system is endorsed by our International Standards Organisation (ISO) 9001 accreditation and is a practical way of explaining to councils our commitment to meeting all aspects of our quality policy. Our quality policy statement of 'we provide a professional service delivered on time that meets or exceeds our customers expectations' is vital to the day to day running of our operation.

For a quality management program to really work it has to be part of an organisation's philosophy and culture and must be embraced by everyone from the tea lady to the Chief Executive Officer if it is to really work and filter through all activities carried out by the organisation.

Different councils will include and incorporate their own ideas and philosophies into tender documents and one council recently included information for the tenderers on that council's Policy on Partnering. It was expected that each tenderer commit to the philosophy of Partnering. The following is the first of 6 pages included in the tender document on that topic.

Policy on Partnering

Background

Business practice can often be characterised by mistrust, lack of communication and adversarial relationships. Significant cultural and attitudinal change is required for partnering relationships of trust, co-operation, open communication and team work to develop.

Definition

Partnering is a commitment between two or more organisations for the purpose of achieving specific business objectives by the maximising of the effectiveness of co-operation.

Expected Results

Results that might be expected from a partnering relationship are:

- less adversarial relationships;
- improved problem solving;
- improved resource planning;
- increased openness;
- improved safety;
- fewer errors;
- improved quality;
- improved contractor profitability;
- reduction in design costs;
- reduction in administration costs;
- reduction in contract periods (where appropriate);
- potential for savings through innovation.

Dispute Prevention

Dispute prevention is recognised as the best dispute resolution. Partnering relationships of trust, open communication and processes for effective issue resolution can minimise the risk of issues escalating into disputes.

It is important however, that issues of conflict should not be 'brushed under the carpet' but, rather, dealt with at the time the conflict occurs.

Type of Relationship

Partnering relationships are different for each contractual situation. In one situation partnering may be merely an establishment of a different method of working together, for another this may have added to it an agreement for the sharing of cost savings.

Partnering is not the same as a 'partnership'. Partnering agreements should not over-ride contracts, but are about a 'way of working' that is mutually beneficial. If partnering fails, then parties to the contract can still resort to contractual remedies.

CONTRACT PRICING

Pricing the contract is becoming more and more complicated as councils want the cost structure broken down in a financial analysis. One of the simpler requests for a financial breakdown looks like this:

SUMMARY OF TENDER DETAILS		
	Description/Quality	Cost ex GST
1.	STAFF - Field No: 4	
2.	STAFF - Admin No: 3	
3.	DOG CONTROL/COMPLAINTS: City Patrol Beach Patrol Complaint Investigation/Resolution	
4.	EDUCATIONAL: Schools Educational Program (salary and travel show elsewhere) Responsible Dog Owner Programs Retail Shop Programs Community Dog Training Annual Educational Initiatives Beach Educational/Advisory Campaign Any Other Educational Initiatives	
5.	POUND OPERATIONAL EXPENSES (Net)	
6.	LEGAL	
7.	STOCK CONTROL (Net)	
8.	FACILITIES: (Premises and office equipment)	
9.	ADMINISTRATIVE OPERATIONAL: (r/t, insurance, stationery, postage, adverts, personnel, OSH, Management supervision, general administration)	
10.	SUNDRIES	
Total Per Annum		
ex GST		

You need to be careful how you allocate each sum to each activity because the likelihood is that at some time in the future council will come to you and say "we don't want to carry on with a particular activity", or that they want to reduce it, then discuss deducting the amount of money you have shown against that activity.

Compulsory competitive tendering is in my opinion driving down the price in many instances and consequently the quality of service for animal control contracts. However there are many councils that understand that it is better to be proactive rather than reactive and it is better to educate current and future pet owners. It is better to have a comprehensive adoption program than kill everything. In other, words to have a quality conscious, comprehensive, proactive animal control operation, which is working with the community towards responsible pet ownership, is not usually possible when you employ the organisation that submits the lowest tender.

ABOUT THE AUTHOR

Kenneth J. Muir ACO INST (DIP)

Governing Director

Animal Control Services Limited

P. O. Box 130, Albany

Auckland New Zealand

Phone (09) 379-9735

Fax (09) 379-7230

E-mail: acs@animal-control.co.nz

I have been involved in animal control work since 1974 when I formed Animal Control Services (ACS) to offer a professional service to councils. ACS currently services a number of councils in NZ including Auckland City and Wellington City. ACS continues to be an innovative animal control agency, ISO 9001 certified, for the design, development and provision of animal control services.

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