Standing Offer Bid Evaluation for Blue Collar Type Services

Presentation at the 2013 National Workshop

Canadian Institute for Procurement and Materiel Management

Breakout Session No.11

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Can Blue Collar Type Standing Offers be awarded by your Department?

- Yes, but…

1. Your Department must have the delegation for services, for the required amount involved
2. The required SOA is not part of the 10 PWGSC mandatory commodities
3. PWGSC has not already issued an SOA for the required service
4. You must ensure that it is a service SOA procurement and not a SOA for goods

How can we evaluate bidders when the amount is pre-established and is known to all?

- Contrary to the usual practice of accepting the lowest technically acceptable bid, the approach here is different
- You must ask yourself…what quantity of work can I obtain for my SOA established budget?

The most common evaluation approach being used is the following:

1. Confirmation that indeed it is a Service requirement and not a Goods requirement (i.e. the 50% rule for most situations)
2. Segregation between Services and Goods in % from the SOA budget

The most common evaluation approach being used is the following (cont'd):

3. Request bidders to submit their hourly rates by trade, experience level, regular time, overtime, etc.

4. Submission of unit prices for goods when possible and/or discounts in %

- Here is an example on how it is done

SOA Budget $100,000

- 70 % Labour or $70,000
- 30% Material or $30,000

Service Budget $70,000

	Bidder A	Bidder B	Bidder C
Regular time	$80.00	$85.00	$90.00
Overtime	$120.00	$127.50	$90.00
Sundays/Legal	$160.00	$170.00	$180.00

Let us assume that 95% of the time, it's regular time and 5% it's overtime (no Sundays or Legal)

Results:

Reg time	831.25 hrs	782.35 hrs	738.89hrs
Overtime	29.17 hrs	27.89 hrs	19.44 hrs

Material Budget $30,000

	Bidder A	Bidder B	Bidder C
Discount	10%	15%	20%

Results:

Net Amount	$27,000	$25,000	$24,000
Spare	$ 3,000	$ 5,000	$ 6,000

Service Budget $70,000

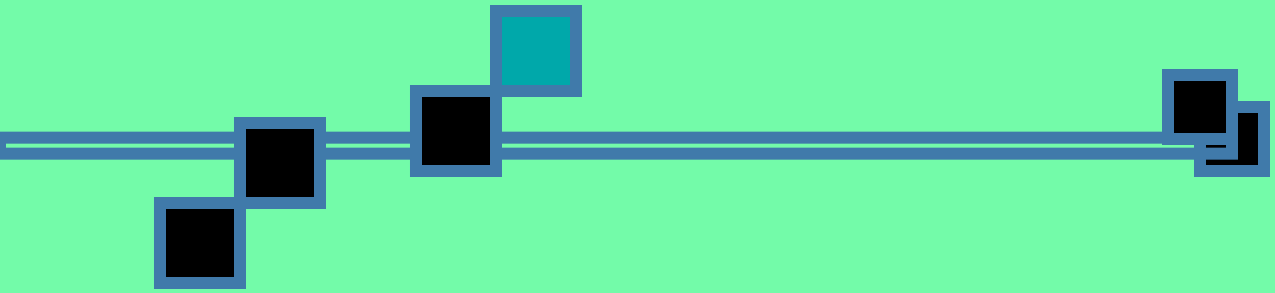
	Bidder A	Bidder B	Bidder C
Regular time	$80.00	$85.00	$90.00
Overtime	$120.00	$127.50	$90.00
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Material Budget $30,000

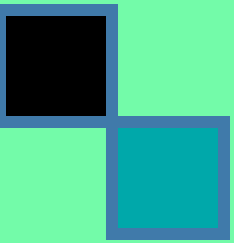
Net Amount	**$27,000**	**$25,000**	**$24,000**
Spare	**$ 3,000**	**$ 5,000**	**$ 6,000**

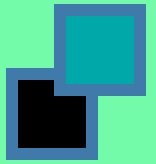
	Bidder A	Bidder B	Bidder C
Regular time	$ 80.00	$ 85.00	$90.00
Overtime	$120.00	$127.50	$90.00
Reg time	831.25 hrs	782.35 hrs	738.89hrs
Overtime	29.17 hrs	27.89 hrs	19.44 hrs
Advantage	49 hrs x $80,00 = $3,920 over Bidder B		
Net Amount	**$27,000**	**$25,000**	**$24,000**
Spare	**$ 3,000**	**$ 5,000**	**$ 6,000**
Advantage	$2,000 Bidder B over Bidder A		

Conclusion: Bidder A is still the lowest by $1,920 and thus provides the best overall value to the Crown



Have we really done our full homework here?







Well maybe not…

Elementary Watson…

Here is the demonstration

Some questions to ask:

Do we have historical data for such services?

- Do we have proof that it is a 70/30 split?
- Do we have proof that it is mostly regular hours or do we have required services when government staff is not at the premises?
- Is there a possibility that the contractor will charge for transportation costs to reach the work location?
- Will we have some repairs done at the workshop of the contractor?

Some questions to ask (cont'd):

- Are there regular maintenance schedules whereby we could ask for a lump sum price within the service portion allocation?
- Is there a possibility to reduce price risks by having firm prices on regularly used commodities (i.e. materials whereby alternatives are not possible because of specification)?

Some questions to ask (cont'd):

- Will we ask that the purchase of materials be new in all situations?
- For materials purchased on a discount basis, can we establish a commonly recognized reference (i.e Allpriser, etc)?
- Are there situations whereby refurbished materials would be acceptable?

The objective here is:

- To reduce price risks on the services
- To reduce price risks on the materials by reducing as much as possible the % portion

The objective here is (cont'd):

- To rely on historical invoices/work orders to back-up our calculations and evaluations
- To convince client/foreman that the status quo is not acceptable even though he/she is « very happy » with the current contractor

At the end of the day, the effort to gather information should:

- Address local operational realities
- Provide better transparency for the bidders on the potential business profile
- Improve transparency of the bidding process, facilitate the evaluation and the recommendation to award
- Provide improve competition
- Improve trust of the industry on the Crown's procurement process

Further to Sherlock's investigation…

- He gathered the following details which may change the contract award recommendations
- Let us have a look

EVALUATION OF NEEDS - DETAILED

DEPARTMENTAL INDIVIDUAL STANDING OFFER (DISO)

1) PARTS REQUIREMENTS

Identified parts

Parts description	Rebuilt (Yes or No)?	Quantity	Cost per unit	Total cost
CIPMM Presentation		1	25,879.00 $	25,879.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
				0.00 $
			Number of items	**1**

Cost for identified parts	25,879.00 $
Contingency amount for other parts expenses	10,000.00 $
Total cost for parts	**35,879.00 $**

2) SERVICES REQUIREMENTS

Cost for fixed price portion	2,995.00 $

Identified tasks

Description	Number of occurrences	Unit Cost	Total per task
12 Monthly Site Visits for Maintenance	12	640.00 $	7,680.00 $
			0.00 $
			0.00 $
			0.00 $
			0.00 $
			0.00 $
			0.00 $
			0.00 $

Number of identified tasks	1
Total cost for identified tasks	7,680.00 $
Number of calls for on-site service:	16
Cost per on-site call:	50.00 $
Total cost for on-site service calls	800.00 $
Number of calls for shop work	
Cost per shop work call	
Total cost for shop work calls	0.00 $
Lump sum amount for services, w/o contingency amount	11,475.00 $

Number of hours required for additional services	Number	Rate	Cost
during regular hours	750	80.00 $	60,000.00 $
outside regular hours	0	120.00 $	0.00 $
during holidays	0	160.00 $	0.00 $
Contingency amount for additional services	60,000.00 $		

Total cost for services	**71,475.00 $**
Cost for standing offer	**107,354.00 $**

Evaluation of Needs - Detailed

- Total costs identified for parts is $35,879 instead of $30,000 (original assumptions)
- Although scheduled maintenance costs were found, the number of performed hours for unforseen work is 750 instead of 831 hours
- Actual supplier charges transportation costs
- Some LPOs were found. Total expenditures were $107.4K instead of $100K

EVALUATION OF NEEDS - SUMMARY

DEPARTMENTAL INDIVIDUAL STANDING OFFER (DISO)

I - Cost for standing offer	**107,354.00 $**		
Breakdown of expenses			
parts:		33.42%	
services:		66.58%	
II - Parts:			
Cost for identified parts		25,879.00 $	
New		100.00%	of the parts
Rebuilt		0.00%	of the parts
Contingency amount for other parts		10,000.00 $	
Total cost for parts	**35,879.00 $**		
III - Services			
Cost for fixed price portion		2,995.00 $	
Cost for identified tasks		7,680.00 $	
Number of task types		1	
Cost for shop work and service calls		800.00 $	
Calls for on-site work		16	calls
Calls for shop work		0	calls
Services performed on site		100.00%	of the time
Cost for additional services		60,000.00 $	
performed on regular hours		100%	of the time
performed outside regular		0%	of the time
performed on holidays		0%	of the time
Total cost for services	**71,475.00 $**		

Evaluation of Needs - Summary

- Materials = 33.4% instead of 30%
- Services = 66.6% instead of 70%
- 16 calls were done for unforseen work. This issue may become important as the actual supplier charges transportation costs

Evaluation - Detailed

- The spreadsheet is used to input the quotes of the tenderers

EVALUATION - DETAILED

# of bids received		3					
	Quantity	Vendor I		Vendor II		Vendor III	
1) Services							
i) Fixed Price Portion		2,995.00 $		1,595.00 $		3,195.00 $	
ii) Fixed Price Tasks							
number of tasks	1						
		Rate	Total	Rate	Total	Rate	Total
12 Monthly Site Visits for Ma	12	640.00 $	7,680.00 $	595.00 $	7,140.00 $	775.00 $	9,300.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
Total cost for fixed price tasks			7,680.00 $		7,140.00 $		9,300.00 $
iii) Service Call/ Shop Work Fee							
		Rate/Fee	Total	Rate/Fee	Total	Rate/Fee	Total
Service call	16	50.00 $	800.00 $	0.00 $	0.00 $	60.00 $	960.00 $
Shop work occurrence	0		0.00 $		0.00 $		0.00 $
iv) Hourly Rates		80.00 $		85.00 $		90.00 $	
2) Parts							
CIPMM Presentation	1	35,879.00 $	35,879.00 $	34,079.00 $	34,079.00 $	40,000.00 $	40,000.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
0	0		0.00 $		0.00 $		0.00 $
Total:			35,879.00 $		34,079.00 $		40,000.00 $
Discount Rate		10.00%		15.00%	0	20.00%	

Proposal Evaluation Summary

The spreadsheet provides:

- A cost breakdown summary based upon the historical facts
- The amount of hours for unforseen work
- Costs for materials
- Extra funds available for parts based upon the provided discounts in %
- And the supplier representing the best value to the Crown

Proposals Evaluation Summary

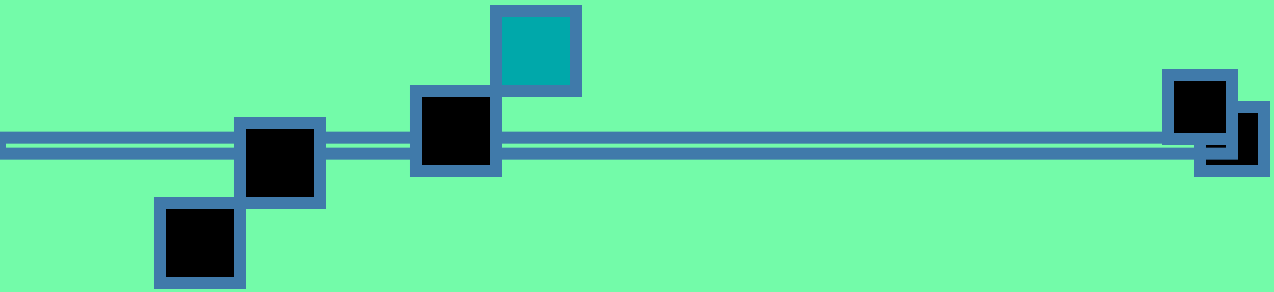
	Vendor I	Vendor II	Vendor III
Services Portion - Amount allocated		71,475.00 $	
Fixed price portion submitted cost	2,995.00 $	1,595.00 $	3,195.00 $
Fixed price activities submitted cost	7,680.00 $	7,140.00 $	9,300.00 $
Transport/Service calls submitted cost	800.00 $	0.00 $	960.00 $
Remaining amount	60,000.00 $	62,740.00 $	58,020.00 $
Hourly rate submitted	80.00 $	85.00 $	90.00 $
Hours allowed	750.00	738.12	644.67
Maximum number of hours available:		750	
Projected cost for services:	**71,475.00 $**	**72,485.00 $**	**80,955.00 $**
Parts Portion - Amount allocated		35,879.00 $	
Cost for identified parts	35,879.00 $	34,079.00 $	40,000.00 $
Remaining amount for parts	0.00 $	1,800.00 $	-4,121.00 $
Discount offered	10.00%	15.00%	20.00%
Amount after discount	0.00 $	1,530.00 $	-3,296.80 $
Projected cost for Parts	**35,879.00 $**	**34,079.00 $**	**40,000.00 $**
Projected cost for SO	**107,354.00 $**	**106,564.00 $**	**120,955.00 $**
Amount allocated for SO	**107,354.00 $**		

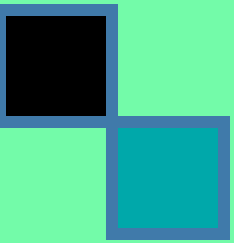
Conclusion

- Vendor B is the bidder that has to be chosen
- As a reminder, Vendor A had originally been chosen
- The SOA amount should be increased as it is not sufficiently funded
- Consideration should be given for one main supplier and a back-up supplier

If you have an interest in obtaining the Spreadsheet, you can contact:

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