NZ TRANSPORT AGENCY
WAKA KOTAHI

FILE NOTE

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Author	Bernard Cuttance
Subject	Assessing combinations of tenders for a group of independent contracts to find the best overall value for money combination

Purpose

This file note has two purposes:

1. To summarise advice previously provided on the evaluation of tenders for a group of separate and independent contracts, where tenders for all contracts close at the same time and the tenderers have been given the opportunity to offer 'conditional tenders'. Various 'conditions' may accompany a tender but the usual situation will be that a supplier will offer to discount their tender price for one contract if they are also awarded another contract.
2. To set out the process that needs to be followed to find the best combination of tenders received for the group – that is the combination that offers the best overall value for money for the group.

Summary of advice on evaluating tenders for a group of contracts

Matters that should be considered when arranging to go to tender for a group of contracts include those listed below, the matters are listed in no particular order.

Note that a group of contracts may have the same purchaser for all the contracts or alternatively several purchasers may be involved. A collaborative procurement arrangement, involving a group of purchasers purchasing similar works or services, will usually be characterised by one contract per purchaser.

Note also that the following matters listed plus the detailed process set out and tabulated in the spreadsheet referred to below all assume that the supplier selection process adopted will be the price quality method. If a lowest price conforming supplier selection method is used the process will not employ a price weight or supplier quality premium values but will otherwise be as described.

1. The tenders for each contract are treated independently. Each contract is similarly independent. Each contract can have its own tender evaluation team (TET). The contract terms and conditions preferably will be aligned but do not have to be in every detail. Non-price attributes may be defined differently for some of the contracts, non-price attributes may have different weights for different contracts and the price weight may not be the same for all contracts. Each tender for each contract, including any conditional tenders, will have its own independent price and its own independent supplier quality premium.
2. A conditional tender would normally be framed in such a way as to respect this independence of the contracts referred to above.
3. A typical conditional tender will stand alongside an unconditional tender. The typical unconditional tender will offer a price for the contract regardless of who is awarded the other contracts in the group. The conditional tender will typically be identical to the unconditional tender except that it will offer a discount, relative to the unconditional tender, if the tenderer is awarded this contract plus one of the other, independent contracts. A second conditional tender from the same tenderer may offer a further discount if the tenderer is awarded this contract plus two of the other, independent contracts, etc. The

non-price attributes for conditional tenders of this type may or may not be graded identically to the non-price attributes for the unconditional tender.

4. A conditional tender may offer something extra. For example a tenderer may be able to provide superior resources or a superior methodology if they are awarded two or more of the contracts in a group. Under these circumstances the TET may grade non-price attributes for the conditional and unconditional tenders differently to account for the differences in what is being offered. Alternatively the difference may be accounted for through an added value premium.
5. It would be wise for each request for tender (RFT) to allow for any conditional tender to be rejected at the sole discretion of the purchaser.
6. Group tendering arrangements are different. The above advice is offered in good faith but if as a purchaser you have any doubts about your proposals to go to the market in the way envisaged here you should seek your own independent legal advice.

The detailed process

The process set out below is essentially simple. It is to list and compare all the possible combinations of tenders for the group of independent contracts to find the combination that offers the best overall value for money for the group. The total number of combinations to consider can become very large. It will be equal to the number of tenders received for the first contract, times the number received to the second, times that received for the third, etc. If, for example three tenders are received for each of four contracts then the number of combinations is 3 X 3 X 3 X 3 = 81.

The instructions below describe a simple structured way to assemble a table of possible tender combinations and then identify the best value for money feasible combination. This table of combinations is the central element of the attached 'model spreadsheet'.

The model spreadsheet and the process steps described below assume a combination of five independent contracts. If the number of contracts is more than five then the spreadsheet would need to be modified but the process will be essentially the same. The example process set down in the 'model spreadsheet' uses a modest number of tenders for each of the four contracts. The spreadsheet can readily to adapted to accommodate more tenders but as noted above the bigger these numbers get the larger the number of combinations to list and compare.

The model spreadsheet has been completed using fictitious example data, etc which is intended to be overwritten.

Process steps

The process is linear and proceeds as set out below. The model spreadsheet is found in the procurement tools on the Transport Agency's website. The Transport Agency InfoHub 'nickname' is 10167666.

1. The following steps describes how the fictitious data in the model spreadsheet was assembled and then analysed.
2. The first five sheets are entitled 'Contract 1', Contract 2', etc. It will help with later stages of the process if Contract 1 is the largest (highest dollar value) contract, Contract 2 the second highest, etc.
3. Each 'Contract' sheet contains a list of the tenders received for that contract. It will help with later stages of the process if the tenders are listed from most to least preferred. The 'code' in column A needs to be a unique code for each tender. The data entered in columns D, E and F is used to calculate the value for the tender price less supplier quality premium (SQP) and less any added value premium (AVP) in column G. The figures in column G will be 'looked-up' and used in the 'Combinations' sheet.

4. The code used in the model, in sheets Contract 1, Contract 2, etc is as follows. 'A' represent a tender from contractor A that has no conditions attached. 'A1' is a tender from contractor A but with a condition attached. You can use whatever coding system you find helpful. The chosen coding system should give recognisable codes that distinguish tenders. This will help with later stages in the process. Note that in column C there is a brief description of the condition attached to a tender – a shorthand reminder – also for use later.
5. Note that some, but not all, of the contractors, have tendered for all five contracts. Some contractors have offered conditional tenders – commonly a discounted tender price if they are awarded more than one of the contracts.
6. Table 1 in the 'Combinations' sheet simply lists the coding for each of the tenders received for each of the contracts.
7. Table 2 in the 'Combinations' sheet lists all the possible combinations of tenders. Note that many combinations are not actually feasible due to the conditions attached to certain of the tenders but at this time this fact needs to be ignored in favour of simply assembling Table 2. Taking shortcuts will bypass many of the natural 'checks' that the process includes.
8. The colour coding used in Table 2 is intended to help show how it is constructed. Note that 3 tenders are listed for Contract 5, 3 for Contract 4, 4 for Contract 3 and 3 for Contract 2. Note also that 3 X 3 X 4 X 3 = 108. So the column in Table 2 under Contract 1 repeats the code for each of the tenders received for Contract 1 108 times. Hence the code 'A2' is listed 108 times, followed by 'A1' listed 108 times, then followed by 'C', 'B' and finally 'A', each listed 108 times. The table therefore has 108 X 5 (540) rows – given that 5 tenders were received for Contract 1. The column under Contract 2 in Table 2 is similarly constructed. Given the number of tenders received for Contracts 3, 4 and 5 the code 'A2' is entered 36 times followed by 'A1' 36 times followed by 'B' 36 times. This pattern, covering 108 rows, is then repeated 5 times to cover the full 540 rows. The process to assemble the codes under Contract 3 and then contract 4 continues in the same fashion. Under Contract 5 the code pattern A, C, B is simply repeated 180 times.
9. Table 3 in the 'Combinations' sheet is entirely formula driven. The formulae in the Contract columns are 'look-ups'. The 'Total' column in Table 3 gives the sum of all 5 tender prices for each combination less the SQP values, less any ATP values. The lower the number in this 'Total' column the better the value for money for the combination. Continue, for the moment to ignore the fact that some of the combinations in the table will not be feasible.
10. Table 4 is also formula driven – it copies information from Tables 2 and 3.
11. Table 5 is created by copying all the combination rows in Table 4 and pasting 'values' into Table 5. Table 5 is then sorted to show the combination of tenders with the lowest 'Total' at the top of the list.
12. By inspection check that the first (lowest Total) is a feasible combination of tenders. If not then check the second etc until the first (best) feasible combination is found. In the case of the example the first combination is feasible. The combination listed in line 10 is not a feasible combination. In the example the first combination is recognisable as being the preferred combination without building the table of combinations, however, this will not always be the case and the way to be sure that the best combination has been identified will be to build the table.