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Innovative procurement methods of services (BVP) under local and European regulations in Holland

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Outline

- Why Best Value?
- What is Best Value?
- Case study: Fast track program (European legislation)
- Case study: third lock Prinses Beatrixsluis
- Q&A



THERE IS ALWAYS SOMEONE...



... WHO WILL DO IT CHEAPER!

THE PROBLEM IS NOT (EUROPEAN) TENDERING
PROCEDURES

BUT

THE WAY WE APPLY THEM!!

Why Best Value?

- 98% On-time, On-Budget, Customer satisfaction
- 5% Increase in Vendor profit
- High quality & low price go hand-in-hand

– Source: PBSRG

Validity

- Conducting research since 1994
- 1600+ Projects
- \$4.4 Billion Services & Construction

What's new?

Traditional contracting	Best Value
Manage, direct, control	Autonomy, freedom and accountability
Relationships, incentives	Transparency
"Your wish is my command"	Utilize expertise
Use client expertise to assess bids (in MEAT)	Use dominant information to assess bids
Focus on contract and risk transfer	Focus on risk mitigation

Fast track program: the problem



Innovative market approach

- Intensive communication with vendors:
- “Not impossible, but...”
- call for beauty contest because of high tender costs for design & build proposals
- Acceleration through early contractor involvement, faster within EU legislation framework



Why did we apply BVP?

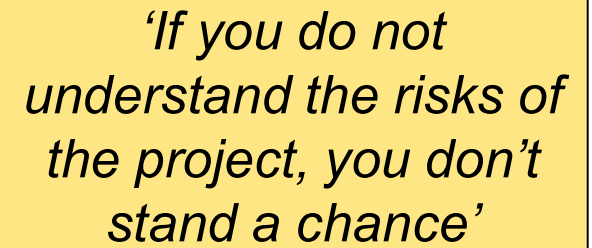
- Enables quick selection of a contractor
- Focuses award criteria on risks most occurring (client risks)
- Vendors are challenged to take interests of the client into account and act accordingly (RAVA plan)
- Vendors are challenged to think with 'the end in mind', i.e. to think 'supply chain'

Evaluation of market approach

- Acceleration achieved!
 - 6 contracts awarded, each in 5 months
 - Tender phase reduced by 50%
- Costs 60% lower
 - Vendors: 50% to 75% lower costs
 - Rijkswaterstaat: estimated reduction by half, development costs for the contract excluded
- May 2011: On average 1 year earlier completion date per project

'The costs to tender are significantly lower than 'traditional' D&C'

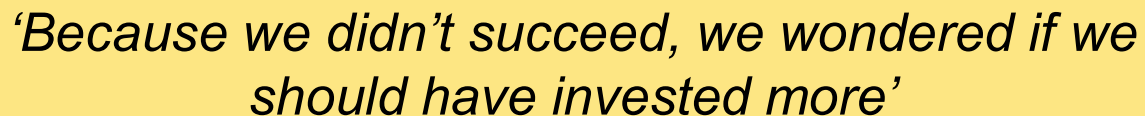
2. Evaluation



'If you do not understand the risks of the project, you don't stand a chance'

Vendors endorse the market approach, attach certain conditions

- Vendors are satisfied and score the approach an 8 out of 10 on average
- Vendors are concerned about sustainable competition
 - Is the method comprehensible for everyone?
 - Can all vendors organise themselves appropriately?
- Professionalisation
 - Challenge for Rijkswaterstaat: uniform
 - Challenge for vendors: take into account the client's interests



'Because we didn't succeed, we wondered if we should have invested more'

The project 3rd lock Prinses Beatrixsluis: Why?

- Growth of transport on inland waterways
- More bigger ships in the fleet
- Berth capacity



Scope

- Deliverable: Concept Decision (OTB/MER) within 18 months after awarding the contract and thereafter as soon as possible a Final Decision
- Project goals:
 1. Delivery before December 2013
 2. Delivery of design during OTB/MER that meets the available construction budget of 215,4 mln
 3. Delivery of the Concept Decision within the available budget of 2,1 mln
 4. Minimization of transactions between client and vendor



Metrics

Schedule:

Delay: 0%, delivery 4 months
ahead of client schedule

Budget: 0% over budget

Change orders: 12%,
90% caused by the client



Metrics

Quality:
no major comments
by QC Ministry,
average number of
minor comments



Lessons Learned

- No QC shows that client values expertise of the vendor. Vendor steps up its own QC and delivers high performance
- It shows that emphasis on selecting on value with MEAT will result in selecting the Best Value vendor instead of just lowest price
- BVP very useful for engineering services



Q&A

More info?

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