

Value for Money

Not about achieving the lowest price. It is about achieving the optimum combination of whole life costs and quality.

All procurement must be based on Value for Money, that is, to deliver:

- The right goods, services, and/or works
- Of the right quality
- In the right quantity
- At the right time
- From the right supplier
- At the right price
- And delivered to the right place



Key factors for assessment of VFM

- Life cycle costs (Acquisition, Operating, Disposal)
- Quality of the goods, services, and Works/Constructions
- Discounts on bulk purchases
- Location of suppliers (Delivery timeframe & delivery costs)
- Availability of suppliers (Open competition for better VFM)
- Environmental considerations (eg, pollution, recycling, etc)

Scenario on the VFM Assessment

- PE procure for big bus. A bus with automatic transmission has a whole life costs of \$300,000 AUD with a life span of 15 years. Another bus with manual transmission has a whole life cost of \$250,000 AUD with a life span of 10 years.
- Annual costs???
- If the bus is only needed for 10 years, which one offered best value for money???

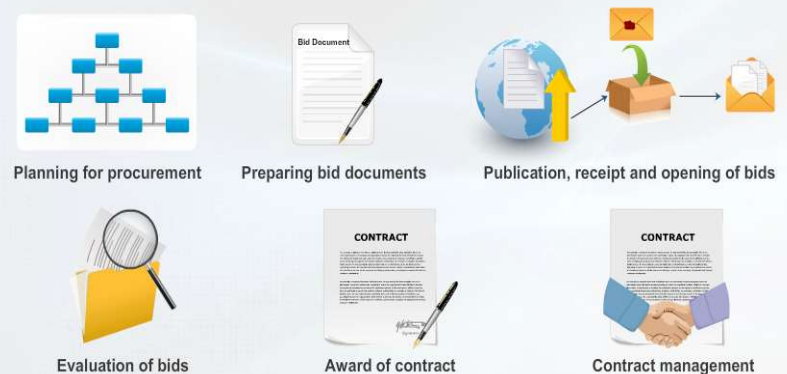
Specification	Whole life costs	Life span	Annual Costs
Bus with automatic transmission	\$ 300,000	15 years	\$ 20,000
Bus with manual transmission	\$ 250,000	10 years	\$ 25,000
If the bus was only needed for 10 years upon evaluation			
	Annual Costs	Life span	Whole life cost
Bus with automatic transmission	\$ 20,000	10 years	\$ 200,000
Bus with manual transmission	\$ 25,000	10 years	\$ 250,000

Recommendation: Bus with automatic transmission

More realistic solution

PRODUCTS	Quotes	Investment	10 years	15 years	Cost of use/year (10 years)	TCO/year (10 years)	TCO over 10 years	
Bus with automatic transmission	\$ 300,000.00	\$ 225,000.00		\$ 75,000.00	\$ 5,000.00	\$ 27,500.00	\$ 275,000.00	
Bus with manual transmission	\$ 250,000.00	\$ 180,000.00	\$ 70,000.00		\$ 7,000.00	\$ 25,000.00	\$ 250,000.00	Best
If the bus would be needed for only 10 years								
Bus with automatic transmission	\$ 300,000.00	\$ 130,000.00		\$ 170,000.00	\$ 11,333.33	\$ 24,333.33	\$ 243,333.33	Best
Bus with manual transmission	\$ 250,000.00	\$ 120,000.00	\$ 130,000.00		\$ 13,000.00	\$ 25,000.00	\$ 250,000.00	

PROCUREMENT PROCEDURE



Methods of Procurement (Conditions & Procedures)

Main procedures to be used

1. Request for Quotations – standard goods/services
2. Request for Proposals – describe how to reach the goals, may use
 - Two-Stage Tendering – to reduce to best solutions
 - Competitive Negotiation – exception for very complex procurement

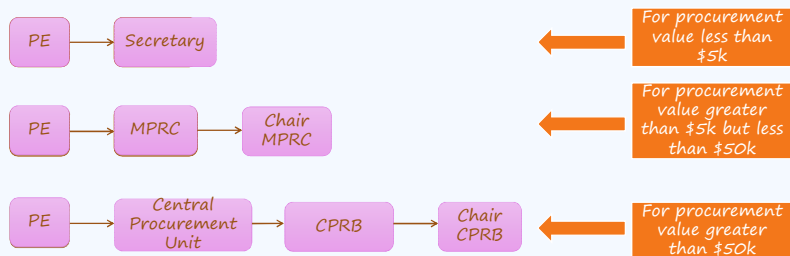
Exceptional procedures

3. Restricted Tendering – short-listing on known capacity (technical/financial) and known previous performance
4. Single Source Procurement – very exceptional

Tender Evaluation Process

- Formal submission criteria
- Pre-qualification requirements (Sec 6 of Procurement Act)
- Technical (first) and (thereafter) Financial aspects
- Budget check (Recurrent or Development) if enough
- Key Procurement principles

APPROVAL CHANNEL



Contract award & Management

- Award of contract to recommended bidder
- Complaints period – stand still
- Contract signing
- Contract management: PE & Winning Bidder
- Proper management of contract will ensure both parties obligations are being administered and achieved

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