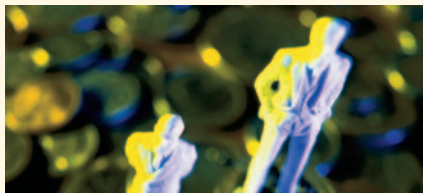


- It is not just professional courtesy to brief unsuccessful suppliers of the outcome of the tender exercise, it is actually a requirement under the Public Supply / Services Regulations (where these apply) that you do so, and that you detail the criteria used in your selection in a notice to the Official Journal of the European Union.
- Always record the selection process leading to the award and include the criteria used. This is a formal record, which may be used in the event of a challenge from an aggrieved supplier or may be required to complete a Contract Award Notice to be published in the Official Journal of the European Union.



“..you must not be seen to have any form of agreement in place prior to the commencement of a tendering exercise”

Procurement related to funding applications:

For a number of good reasons, some of which are listed below, initial quotations obtained to support a funding application for equipment should be treated as indicators of price only. At this stage the enquiries and quotes are generally informal.

- It is sensible to include whole-life cost factors in the original enquiry. The purchase price otherwise may not give a true indication of best value over the life of the equipment, and funding bodies generally prefer to have costs for elements such as extended warranties and maintenance built into the original equation, rather than deal with new applications for ancillary funds at a later date.
- If the award process takes 6 – 9 months, the original quotes are unlikely to remain valid, the technology may have moved on, the model quoted for may have been superseded, the prices might have dropped (e.g. electronics, IT) or a competitor may have developed a more suitable product. No commitment should be made at this stage.
- The equipment may be consolidated into a larger tender with other goods to be ordered from the same supplier, resulting in improved terms.
- Once it is agreed that funds will be made available, set aside the quotes that provided the budget prices. You must not be seen to have any form of agreement in place prior to the commencement of a tendering exercise.
- Start a new and formal tendering process. Even if there is an outstanding product on the market which fully meets your requirements, by subjecting the supply to a competitive process it is very probable that better terms, or added value items such as training, extended warranty periods, delivery, installation and commissioning will be obtained at little or no additional cost.

GUIDANCE DOCUMENT

Procurement for Researchers

	Page
SECTION 1: OVERVIEW OF EQUIPMENT PURCHASING	2-3
SECTION 2: EQUIPMENT PROCUREMENT PROCESS	3-6
Step 1. Awareness when drafting Grant Application	
Step 2. Equipment Procurement	
Who to Contact	
SECTION 3: SUPPLIER SELECTION PROCESS	6-9
SECTION 4: IRISH/EU PROCUREMENT DIRECTIVES FINANCIAL THRESHOLDS FOR QUOTATIONS AND TENDERS	10
SECTION 5: GENERAL INSTRUCTIONS	10-14
SECTION 6: CHECKLIST QUESTIONS FOR EQUIPMENT PURCHASING	14-15
SECTION 7: DETAILED ANSWERS TO CHECK LIST QUESTIONS	16-21
SECTION 8: INTRODUCTION AND GUIDANCE ON TENDERING	22-24



INTRODUCTION

The purpose of developing this “guidance document for research procurement” is to ensure that available funds (whether public or private) are spent most effectively in the support of research. This guidance document should help provide consistency in the manner in which research purchases are undertaken throughout the University Sector in the Republic of Ireland.

The material presented is not intended to be a specific guide to individual University processes (these will vary by institution) but is intended as a source of ideas and suggestions that should give some consistency of approach. It is expected that individual Universities will adapt the material to suit their individual procurement / research-policies strategies. Appropriate strategies provide a focused approach to dealing with suppliers, identifying and managing supply chain costs, encouraging competition and avoiding fragmented procurement. Such strategies can be a means of conditioning the market in order to redress the balance between suppliers and purchasers that is perceived as being tilted in favour of suppliers.

This guidance document addresses the procurement of Equipment, Services and Consumables.



“..ensure that available funds are spent most effectively in the support of research”

SECTION 1 : OBJECTIVES AND CRITERIA

Transparency

All stakeholders must ensure that the procurement has been undertaken properly. An open, fair and fully documented process is an important part of providing this assurance.

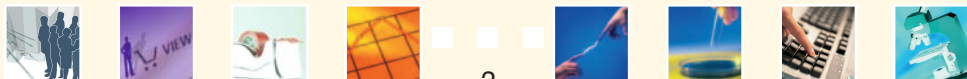
Probity

Care is needed to ensure that any potential conflicts of interest are properly managed, especially where University staff has been involved in the design or development of equipment or software in co-operation with particular suppliers. It is recommended that any conflict or potential conflict of interest be registered and recorded at the outset of any procurement. Staff should not be placed in a position of taking responsibility for procurement decisions where such a conflict may arise.

Competition

The effective use of competition is seen as the easiest and most transparent way of ensuring value for money.

Where competition is limited in the market place, care should be taken to avoid reducing that competition.



Tendering

- Prepare and issue the tender documents.
- Allow adequate time for the suppliers to respond properly. This will obviously vary with the complexity of the specification. For EU advertised tenders follow the directives. For below EU threshold contracts allow a minimum of three weeks.
- Once you have issued a formal notice of anything – including deadlines for receipt of tenders – you have an obligation to ensure that all parties rigidly adhere to it.
- Treat all potential suppliers equally.
- Control the channels of communication. Some firms will try to gain advantage over others by discussing the tender with you or your colleagues in order to gauge areas of particular interest, or even just to establish contact to talk in general about the tender. Give clear instructions to tenderers on who their contacts are. Keep communications formal.
- If valid questions are received from one firm before the tenders have closed, circulate the questions and your detailed responses to all of those in receipt of invitations to tender in the form of a “pre-tender circular”.



“..tenders should not be used as the starting point for a round of negotiations”

Tender Receipt

- You will have fixed a time for receipt of tenders. Immediately after tenders have closed perform a document check so that any papers received in the mailroom, at reception or by the departmental secretary are received for consideration. Ensure all tenders are securely locked away until the opening ceremony. Late tenders should be dealt with in accordance with your institutions procedures.
- When opening the tenders invite a senior member of University staff (preferably from another department) to witness the process. Details of the tenders received will be recorded.
- The tenders submitted should not be used as the starting point for a round of negotiations. You must not use one supplier's bid as a benchmark in discussions with other suppliers. It is permissible to seek clarification.
- Post-tender negotiation should be limited. In particular, in the event of a contract advertised under the terms of the Public Supply / Service Regulations, it is important that the selection of a contractor is made before discussing detailed terms.



SECTION 8: INTRODUCTION AND GUIDANCE ON TENDERING

Always contact the Procurement and Contracts Office to manage a tender exercise if you have not used a formal procedure before, or have limited experience or where purchase value is as per your Institution's procurement procedures. Your institutions Procurement & Contracts office will assist you to improve your skills if you wish to operate more independently, or we will handle the complete administration up to letting of contract if required. Please remember that the team best equipped to obtain value for money within any market is one combining both technical knowledge and commercial skills.

The aims of a formal tendering exercise are to subject the proposed supply to a competitive bidding process in order to obtain best value for the University, and ensure that procedures used in the expenditure of public funds are sufficiently fair, impartial and robust to stand up to the closest scrutiny of outside parties (such as funding bodies or auditors) or legal challenges.

With these objectives in mind it is important that we operate within a set of tendering rules. As well as the formal instructions, which are issued for potential suppliers to follow, it is important for our practices to comply with principles of good commercial procedure. The following are offered as guidelines:

Preparation

- Plan the process. Agree what the significant dates will be and who will be involved at each stage. You should invite a senior member of staff from outside your department to witness the opening of tenders.
- Establish a means of recording the tendering process from start to finish. It is recommended that departments maintain a register of all tendering exercises.
- Allow sufficient time and resources to manage the process. Some complex tender exercises can take 40 to 60 hours of work to complete and it is not possible to cut corners.
- Properly explore the market. In most situations it is best to ensure that all possible suppliers are given an opportunity to bid. Decide whether it is necessary to invite applications, advertise the contract notice locally, nationally, in specialist publications or in the European Journal.
- Decide on an "open" or "restricted" process. Is it necessary to invite firms to qualify to tender (restricted) or will you issue tender documents to anyone who applies for them?
- Keep a record of all of the suppliers who have applied to tender or who have been invited to tender.



Negotiation

Negotiation is an important part of the procurement activity. However, it should be borne in mind that:

- Extensive negotiations may slow down the procurement process and delay commencement of research projects.
- Sellers are likely to be highly trained and experienced in negotiation and will often seek to undermine the position of researchers / departmental purchasers.
- The procurement process can easily be prejudiced through unguarded comments to suppliers and specifications biased towards a particular supplier.
- Post tender negotiations must only be undertaken in line with EU & National Public Procurement Directives where these apply.

Properly planned and executed competitive tendering can serve to reduce the need for protracted negotiation.

User Interests

In many cases the users of equipment will be keen to complete the procurement as quickly as possible. There is no doubt that effective planning will help in this, thus the involvement of your Procurement & Contracts Office as early as possible will help reduce lead times.

Value for science can be represented by a prompt start to a research project just as much as by a small shaving off the cost. It is recognized that time is critical to researchers.

Furthermore it is also recognized that compatibility of new with existing equipment, where this avoids the need for re-familiarisation and extensive training, can be an important factor in obtaining value for science.

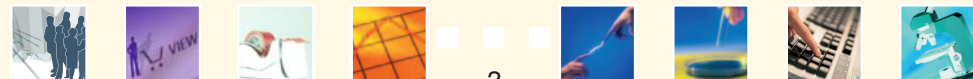
Targets

The objectives of the procurement may include specific targets, whether improvements in purchase price, taking into account of whole life costs and / or improved timescales. Such targets must be challenging if they are to lead to significant benefits, but realistic if they are to be taken seriously.

SECTION 2 : EQUIPMENT PROCUREMENT

The requirements as outlined below are considered minimum requirement by most grant authorities – SFI, Wellcome Foundation, HEA, Enterprise Ireland and HRB etc.

- The procurement process should include competitive tendering as required by the individual institution regardless of whether the individual or aggregated costs exceed the limit at which the EU Directives or government procurement guidelines on public purchasing apply.
- The whole life costing approach should be employed to assess elements such as reasonable maintenance, associated running costs, consumables and disposal on all options including hiring and leasing in addition to outright purchase. Whole life costing involves recognizing the lifetime costs of acquiring an asset rather than simply focusing on the initial purchase price or capital cost.



- Reasonable equipment maintenance for five years, or more/less in exceptional circumstances on a case by case basis, where the contract has been negotiated as part of the capital purchase, will be provided for equipment awarded and should therefore be included in the whole life-costing analysis;
- Equipment should be sought that meets the specification requested in the application at the best possible value and should not be upgraded to take advantage of cost savings unless prior agreement if required has been sought from the Funding body;
- Where feasible, purchases should be coordinated with related purchases within your University. Universities may wish to coordinate the procurement of equipment approved within a similar timescale in a number of Universities;
- Pan University Procurement approach where appropriate procedure is encouraged and actively supported by the Universities Procurement & Contracts Officers Group (UPCOG), Conference of Heads of Irish Universities (CHIU).

Significant cost reduction initiatives are achievable through this approach.

Note on pages 7 – 21 outline frequently asked questions and detailed answers. The objective is to achieve significant combined cost and quality benefits at a departmental level and thus improving purchasing power of your University. This guidance document and checklist are to raise questions and stimulate fresh thinking rather than to set out a prescriptive model.



“..this guidance document is to raise questions and stimulate fresh thinking”

Step Process

Step 1 : Grant Application stage

Some Grant Bodies eg Enterprise Ireland require supplier quotations to be included with grant application documentation. Your Procurement and Contracts Office can assist you in this process. It is envisaged other grant bodies will request quotations in the future. If estimated costs are required by the funding body it may be appropriate to include desirable as well as mandatory items. It is worth noting the automatic inclusion of actual supplier quotations (when not specifically requested) could strengthen your application.

As your application is under review with the selected grant body, the more professionally packaged your application is will be to your competitive advantage. Always include for on-going equipment maintenance for the life of the project. (Don't forget to discuss post research implications for maintenance costs with your departmental administrator or head of department.) Your application documentation should enhance and not detract from the core element of your scientific research application 'scientific need and end point'.

It may be appropriate at this point to place a Periodic Indicative Notice (PIN) in the EU Journal in order to take advantage of reduced timescales associated with EU tendering.

Researcher Action: Request quotations from suppliers. Contact Procurement & Contracts Office for assistance.



21. Is the specification for the equipment appropriate to the user's needs?

A good discipline is for a statement of need to be prepared for each substantial item of equipment at the planning stage setting out the objectives to be met and the benefits expected, (see Checklist 1, Question 15). The specification can then be tested against the statement of need.

22. Is there a documented case supporting the procurement of the particular item of equipment?

The minimum standards of documentation may be specified in your institution's purchasing manual or financial regulations. The extent of documentation is likely to vary according to the cost of the item concerned. Good practice would be for details to be provided of the quotations or tenders received with an evaluation of life-cycle costs and relevant non-financial factors including improvements negotiated after the quotations or tenders were received. It is important that these details are retained in one place so that queries about the contract conditions can be readily resolved in future years.

23. Is there appropriate segregation of duties?

Institutions commonly specify requirements for segregating duties in their financial regulations or purchasing manuals. The fundamental principle is that the member of staff who places orders should be different to the person who authorises the consequent invoices for payment. In the case of research grants at least this could be re-stated as separating the authority to spend money from the grant budget from the authority to place orders in the name of your institution.

24. Have the maintenance and other running cost implications of the equipment been considered?

Your institution is better placed to negotiate maintenance cover with the supplier before the item has been procured than subsequently, and hence the best time to decide on the maintenance approach is prior to the time of purchase. Departments commonly decide against external maintenance for equipment preferring to use their own technicians, except where the equipment is very complex or where 'down-time' must be minimised. In many cases this may be a cost-effective approach but it would be worth checking that this is indeed the case. Where institutions elect to use their own technicians for maintenance, a suitable maintenance training course should be negotiated with the vendor at time of purchase.

There may also be scope for negotiating favourable rates for specialist consumable items, such as lifed components or chemicals. In any case, downstream costs should be identified, especially where they vary between different equipment options.

25. Is there an appropriate purchase ordering system?

Your institutions purchasing system should generate standard pre-numbered purchase orders, which comply with your institution's regulation. Such forms should include your institutions standard terms and conditions.

26. Are there arrangements for appraising the performance of equipment some time after it has been procured?

This arrangement should be introduced for equipment above a specified threshold. The user has to complete a post-purchase appraisal six months after installation to compare the use and performance of the equipment against that which was specified in the appraisal of need submitted to justify purchase.



16. Does the purchaser feel confident enough to negotiate?

If not, enrol the services of the Procurement & Contracts office, who would look to challenge the costs of each element in the supplier's offer and may find this easier if consulted at the specification stage.

17. How should the purchaser negotiate?

The following methodology may be of use. Firstly the purchaser should tell the supplier that its prices are too high. The supplier may well ask what the budget is. Do not tell them. Where another supplier is offering a better deal, say so without being specific. In the case of the supplier tendering the lowest price, the focus should be on aspects within tender, which are not so competitive. Then invite each (selected) supplier to come and discuss the bid, and suggest ways of lowering the price. The supplier may suggest, among many possibilities:

- a straight-forward discount, which should be accepted as a starting point;
- extra equipment or training in place of a discount;
- a different but acceptable equipment (ex-demonstration, etc.);
- changing the specification to reduce the price;
- including more "free" maintenance;
- varying the payment terms in exchange for a discount or to the purchaser's advantage.

At this stage the purchaser can consider which specification changes would be acceptable and go through these one by one requesting price reductions for each. The purchaser then decides on the final supplier (but does not tell them) and should consider inviting the supplier in for a final round of negotiation.

18. Has the purchaser negotiated for: additional accessories for the equipment? Or the reduction of the downstream maintenance costs for the equipment?

Equipment suppliers are often more willing to negotiate on add-ons and downstream costs than the initial price, and may be willing to offer extended warranties, free spares, consignment stock of consumables and staff training.

19. Has the purchaser negotiated over unsuitable contract conditions?

The aim should be to impose your institution's standard contract conditions. To be avoided are conditions which demand payment on order or delivery rather than on the outcome of a satisfactory acceptance test. Paying on order could result in your institution becoming a creditor due to receivership.

20. Does the head of department/Principal Investigator authorise all equipment orders?

This function may be delegated, say to the departmental head/administrator, for orders below a specified threshold. In some institutions, orders over a specific threshold may need to be authorised at a higher level. The authorisation process should enable the head of department to discharge your institution's accountability for regularity, propriety and value for money. This includes checking that funds are available; that there is a documented case supporting the procurement and that your institution's and Government and EU regulations have been complied with.



Step 2 : Equipment Procurement

Draft specification: Draft clear, concise and independent specification of required equipment. The specification should be fit for use to achieve scientific need and end point as sanctioned on your successful application by granting authority. Note 'independent' specification means that you should not take and copy exactly a preferred supplier's specification. If you do, it limits your potential to secure the most cost effective solution at conclusion. Researchers should use generic specifications at all times. Mandatory requirements should be listed separately from "desirable" or "nice to have" elements. For output specifications researchers should endeavour to use a range rather than a specific output number.

Researcher Action: Draft independent generic specification fit for use to achieve scientific need and end point.

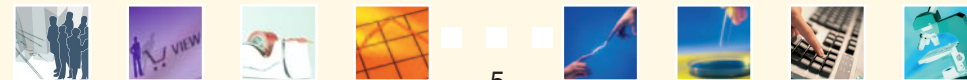
Identify known supplier sources and reaffirm rough estimate of cost.

(Note always include VAT charges in your total assessment.)

First check to see if a University contract is already in place for the goods or service you require. If there is a suitable contract proceed as per your institutions procedures. If there is not a contract in place secure quotations as per your University procurement procedures & proceed with supplier selection. Retain all records in your department for internal/external audit at any time in the future.

Forward generic specification and known supplier list for discussion to the Procurement & Contracts Office. A scope statement should be agreed between the Researcher/Principal Investigator and the Procurement & Contracts Office. The scope statement may include but not limited to the following:

FACTOR	COMMENTS
The intended benefits	
Budgeted Costs (never reveal to seller)	
Specific Targets	
The proposed deliverables	
Any exclusions from the project	
Known constraints on the project including: <ul style="list-style-type: none"> ▶ Funding arrangements ▶ Target dates ▶ Compatibility issues ▶ Resources available ▶ Advertising 	
Interface with other projects	
Market conditions and trends	



Consumables & general Procurement

Most Universities have preferred suppliers for consumable items such as **Laboratory Supplies, IT hardware, Couriers, Stationery, Computer Supplies, Travel, Office Equipment etc.** Researchers are required where possible to purchase from these contracts. It is recognized that researchers may be involved in parallel research with other Universities inside and outside the state and in order to validate research outcomes, may be required to use identical equipment and laboratory consumables. This is acceptable practice. Some individual University procurement policies require a justification to be recorded and sent to their Procurement & Contracts office.



“..there should be thorough market research prior to tendering”

SECTION 3 : SUPPLIER SELECTION PROCESS

There should be thorough market research prior to competitive tendering. Information on potential suppliers can be obtained from a wide range of sources such as University preferred suppliers list, peer contacts, trade directories, exhibitions, conferences, consultants and respondents to EU adverts. Once a wide range of suppliers has been identified, the purchaser can short-list by using an agreed supplier selection method. Previously unknown suppliers may bring new ideas or could give an extra edge to competition. Sticking to a small number of suppliers, which have been used in the past, may not result in the best value for money. A thorough market search may also identify opportunities to procure second-hand and ex-demonstration equipment where appropriate. Where after exhaustive market research, it is accepted that there is only one supplier, action should be taken to secure good value for money, usually through the use of expert negotiation techniques.

Sole/Single Supplier

On some occasions there may be only one supplier of a particular product or service and no alternative product may be available (“sole source”). Sometimes an item or service must be purchased from a particular supplier, usually to ensure compatibility with existing goods or services (“single source”). If any of the foregoing occurs the buyer should document the reasons for this type of procurement. After the justification has been supported by the budget holder it should be kept on file for possible audit – External, Internal, Government and EU. Some individual University procurement policies require a justification to be recorded and sent to their Procurement & Contracts office. Even in the event that there appears to be only one supplier there is still a requirement to advertise in the EU Journal if the value is expected to exceed the EU Threshold.

Actions by Researcher and Procurement & Contracts office

- Identification of potential suppliers
- Assessment of potential suppliers

Note: if both parts are carried out well the risk and implications of failure to obtain and maintain the right equipment are greatly reduced.



- Maintenance cover for however long the department needs it (this is generally negotiable downwards);
- The cost of consumables;
- Details of spare parts availability for the life of the equipment (seven years is a usual minimum) together with contractual notification before the supplier ceases manufacture of spare parts;
- Handbooks with full maintenance instructions, including circuit diagrams;
- Training, both initial and ongoing. (Some suppliers provide this free).
- Any building work or additional service requirements, (e.g. housing the equipment)

14. Is there an objective appraisal methodology?

The complexity of methodology applicable will depend on the cost of equipment and relative importance of different factors and therefore the benefits to be derived from spending time on using it.

To compare financial factors throughout the equipment life the standard approach is to undertake a discounted cash flow analysis, which estimates the expected costs (and any income) throughout the equipment's life, (including replacement costs where the forecast replacement dates of the equipments being appraised vary). In addition to the issues referred to at Question 13 above, it may be necessary to consider associated building costs, staff costs, the costs of energy, water and waste disposal and eventual disposal costs. Future costs etc are discounted by a standard factor on which the finance or purchasing departments can advise.

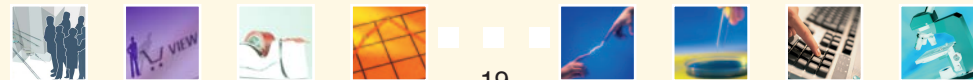
Factors may include performance, compatibility, ease of modification or upgrade and environmental impacts. Where the financially most favourable option does not score well on non-financial factors, efforts should be made to place a value on the latter. For instance, sub optimal reliability could be translated into enhanced maintenance costs and a greater risk of obsolescence could bring the replacement date forward.

15. Has the purchaser and/or your institution checked up on the strength and qualifications of the potential suppliers? Is the supplier on your institution's approved supplier list (where one exists)?

The purchaser or the purchasing co-ordinator needs to consider whether:

- The suppliers have a reliable trading status (example, the supplier went bankrupt a few weeks after a major purchase by an institution);
- The supplier is technically capable (previous customers may give references on the basis of their experience);
- The supplier has adequate quality controls and complies with your institution's environmental policy so far as this is relevant;
- The supplier can provide satisfactory after-sales service (they should advise on service arrangements, technical information and the availability of spares);
- The supplier will comply with your institution's terms and conditions of purchase.

Much of this routine work can be obviated by having a credible approved suppliers list at your institution which the Procurement & Contracts office would be well placed to maintain.



10. Has the purchaser used call-off contracts, such as framework agreements for commonly procured equipment, where they exist? Alternatively, is there a good case for not using these?

Such arrangements have been negotiated using the purchasing power of the whole institution and taking account of through-life costs, and should, for small purchases at least, be better than anything that can be negotiated elsewhere. (The Irish Universities Procurement & Contracts Officers Group, namely UPCOG, is working on developing agreements.) Breaking from the agreements may impact adversely on your institution's negotiating power when the agreements are renewed. If purchasers really think they can improve on the central agreement they should consult the purchasing specialist to see whether this is really the case and to encourage them to seek improvements to existing arrangements. Any supplier can under-cut contract prices on a short-term basis, as it is its aim to take business from the contracted supplier, which may have beaten it in the original tender process.

For large purchases it may be possible to obtain value-added concessions beyond those in the contract, and the purchasing specialist should be able to advise on this.

11. Has the purchaser set up a competition?

Competition is important. Without it your institution has less purchasing power. In the Higher Education Sector few equipment procurement exercises exist for which no competition is possible. Competition may secure savings even where one supplier's equipment is strongly preferred on technical grounds. The purchaser should therefore seek to draft a specification, which is expressed in generic terms rather than in terms of what a particular supplier can offer. It should then evaluate non-price factors such as technical capability, compatibility, reliability, potential obsolescence and downstream costs, once the bids are in.

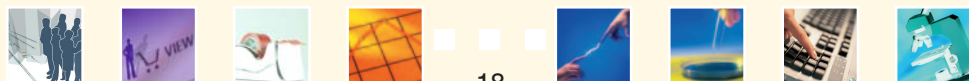
12. Have steps been taken to assess the quality of the equipment being considered?

It is worth contacting other users of the equipment within and outside your institution for their views on quality or to arrange a trial. (This may also identify opportunities for sharing - see Question 1 above.) Details of other users may be provided by the supplier, or, within your institution, from the asset register, once established.

13. Has the purchaser asked for information on all relevant life-cycle costs in seeking competitive quotes or tenders?

The purchaser should consider specifying what is wanted on the basis that everything is negotiable. The specification could include:

- Provision for on-site tests, and pre-negotiation trials if these are desirable;
- A price which is fixed and firm, irrespective of inflation, exchange rate fluctuations etc. (although it may help in subsequent negotiations if suppliers are asked to quote on more than one basis, say at a particular exchange rate, as well as on a fixed rate basis);
- Free delivery, installation and commissioning;



Identification of potential suppliers

The Procurement and Contracts Office in most Universities will have a list of Approved suppliers. Approved suppliers will have met your institution's selection criteria and there may be already a keen pricing agreement in place.

For more sophisticated types of equipment, the researcher should know who the main suppliers are. However, be aware of the danger that a researcher may favour one or more suppliers and ignore other remaining suppliers without making a full and fair evaluation of their potential. To ensure strongest competition, researchers should always have an open mind to new suppliers.

- New Sources -

- Articles and advertisements in specialised trade and professional journals;
- Contacts with peers in your University and other institutions;
- Web searches.

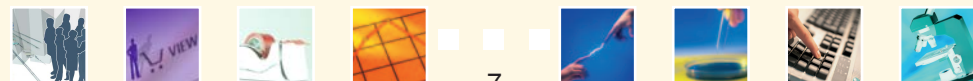
Where the estimated purchase price (total contract value) exceeds the threshold for applying the EC Public Procurement rules great care must be taken not to exclude any potential supplier who meets the criteria. Aggrieved suppliers may be able to seek remedies through the courts.

Market Appraisal

General Market Situation

This section is based on a series of questions designed to help understand the market, with some comments to prompt thoughts about the questions:

SUPPLY SIDE	COMMENTS
How many products are likely to satisfy the requirement?	A thorough "output specification" may reveal more than one way of meeting the requirements.
How many manufacturers of the product are there?	Remember the key components may be bought in from a very limited number of suppliers.
How many suppliers are there?	Even if there is only one manufacturer there may be more than one supplier.
How is the market segmented?	Are different products genuinely in competition, or do they fill different segments of the market, with little competition between them.
How easy/likely is it for new suppliers to enter the market?	This could have an important bearing on the degree of competition.
Must the product(s) be from an Irish or UK agent or can we look to Europe or beyond for fulfillment?	Where possible try to eliminate any third/fourth party agents and purchase directly from source.
How many modes of supply are there for the particular product?	Rent, Operating lease, financial lease, purchase etc.
What proportion of the market does the HE sector represent?	The bigger the proportion the greater the leverage.
What is the life cycle of the product and how near to the end of that cycle are currently available products?	There may be little point in putting effort into long-term supply for products that are approaching obsolescence.



Assessment of Potential Suppliers

An initial, quick, evaluation should be carried out to give an indication of the level of reliability of a supplier. Although there are quantitative elements in the assessment, the final decision must involve considered judgment. The depth of the assessment will be governed by factors such as:

- The cost consequences, which may result, should the supplier not meet his obligations on quality, delivery, price, servicing, etc.;
- The complexity of the order, and hence the probability of significant problems arising during execution of a contract;
- The value of the contract compared to the turnover of the supplier. (It is dangerous position for a supplier and Purchaser where supplier holds a serious percentage of its business with that University.)

Full Supplier Evaluation

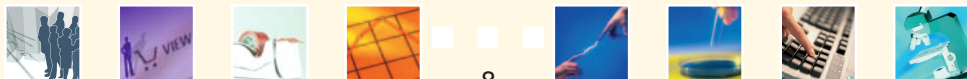
Comprehensive supplier evaluation is best carried out by experienced staff from the Procurement and Contracts Office. In planning discussions with suppliers, information will be sought as follows:

- ▶ Organization Structure
- ▶ Financial information
- ▶ Experience
- ▶ Track record
- ▶ After Sales support
- ▶ Quality
- ▶ Training
- ▶ Customer Base
- ▶ Company culture
- ▶ References
- ▶ Environment Related Information



How will this supplier information be gathered?

1. Many of the above points could be covered in the Invitation To Tender where applicable;
2. By questionnaire sent to the supplier;
3. From a reliable company ratings agency such as Dun & Bradstreet, Jordans or Infocheck.



If specifying outcomes, use a range of outcomes rather than a specific output which maybe associated with one particular vendor/service provider.

In discussing specifications with suppliers it is essential that absolutely no commitment be entered into prior to seeking tenders or quotations. Doing so can seriously weaken the subsequent negotiating position, and consequently the budget holder loses out.

7. Has there been a thorough market search?

Information on potential suppliers can be obtained from a wide range of sources, such as existing suppliers, personal contacts, trade directories, the Web, exhibitions, conferences and consultants. The Official Journal of the European Union may help source a new market as the adverts are often copied into other magazines and journals at no cost. Once a wide range of suppliers has been identified, the purchaser can short-list those suppliers with the best reputation or specification. However, previously unknown suppliers may bring new ideas or could give an extra edge to the competition. Sticking to a small number of suppliers, which have been used in the past, may not result in the best value for money. A thorough market search may also identify opportunities to procure second-hand and ex-demonstration equipment.

8. Have proper procedures been followed where purchases fall within the scope of the European Union Procurement Directive?

The Irish Public Sector Contracts Regulations embody the European Union Supplies Directive into Irish law. The Government's interpretation is that they apply to all purchases by higher education institutions, regardless of funding source (public or private), in excess of a specified threshold, currently €236,945. Breaching them is an offence and leaves your institution liable to challenge by an aggrieved supplier, which would have the effect of halting the purchase and could prove costly.

The Regulations require public purchasers in most cases to advertise in the Official Journal of the European Union. The application of professional purchasing expertise, and hence the involvement of your Procurement & Contracts Office, at every stage of the procurement is vital if the regulations are not inadvertently to be broken. It should be noted that the procedures required by the regulations will lengthen the time taken to make the procurement, and this should be allowed for. These timescales have their positive side as they can encourage thorough planning and may identify new sources of supply.

9. Has the purchaser consulted your institution's Procurement & Contracts office on the conduct of the procurement?

As well as being vital where the purchase price may exceed the threshold for the Irish Public Sector Contracts Regulations, the Procurement & Contracts office involvement can be important for less expensive equipment. The Procurement & Contracts office can obtain a better deal by advising on how to structure the specification, negotiating for better overall value, or by arranging for purchases to be combined with someone else's requirements. The earlier the Procurement & Contracts office is involved the better, as savings may be achievable by modifying the wording of the specification as well as in post-tender negotiations.



SECTION 7: DETAILED ANSWERS TO SAMPLE CHECK LIST QUESTIONS 1 – 26

1. Is there scope for sharing equipment with others?

There may be scope for using an item of equipment held by another department within your institution, or even by an outside body, where there is spare capacity sufficient to meet the needs identified. The problem may be finding out about such items, although the development of institution-wide asset registers should make this easier for more expensive items. The other department or outside body may raise a charge for using this equipment, but it is unlikely that paying the charge will be more expensive over the equipment life than procurement.

2. Is there scope for purchasing an item of equipment jointly with another user?

Where someone else needs the same item there may be scope for purchasing jointly, with a financial saving and possibly enhanced specification. A good way of facilitating aggregation of needs would be to notify the Procurement & Contracts Office of all higher value purchases in prospect.

3. Would it be worth hiring the equipment or outsourcing the service?

Hiring equipment, say for a three year period, solves maintenance problems, avoids downstream staff costs and ensures that equipment is kept up to date and avoids disposal costs. Equipment suppliers agree that hiring for a three year period can be considerably cheaper than buying, particularly for IT equipment. Outsourcing a service e.g. DNA Sequencing, may solve equipment and staffing problems.

4. Would it be worth procuring equipment by means of a finance lease or hire purchase agreement?

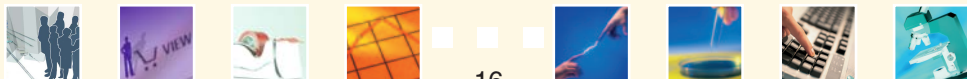
Equipment leasing or hire purchase provides a means of spreading the costs of ownership over a period of years. In this way these costs can be more clearly known from the outset and some of the risks of ownership can be transferred to the vendor. This comes at a price and it is important that the costs are compared with those of outright purchase across the life of the agreement to determine whether leasing or hire purchase is more expensive and whether this additional expense is justifiable. Leasing should not simply be considered as a means of augmenting a departmental funding allocation, as it will probably be cheaper to 'borrow' the necessary funds from within your institution.

5. Has the purchaser been trained in basic purchasing techniques?

The Procurement and Contracts Office will either provide a training course or details on external training available.

6. How has the specification been developed?

Where equipment is specified at or near the leading edge of technology it is common for the specification to be developed in conjunction with one or more suppliers. It is important that this process does not result in a specification, which is so detailed as to eliminate any effective competition. The focus should be on delivering what the department or research project needs rather than specifying what a supplier can supply. One possible approach is to specify performance (that is the required outcomes) rather than technical details (how it works). In the latter case there is the risk that the final product will be technically superb but does not do what is required.

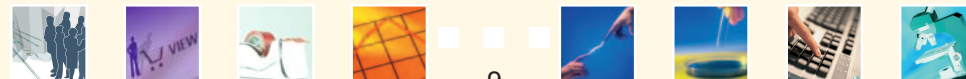


In planning discussions with suppliers the following questions may be useful:

1. To what trade associations do major suppliers in the market belong?
2. What publications (other than OJEU and e-Tenders) would be appropriate for advertising tenders?
3. To what extent is work sub-contracted?
4. Does the particular market produce a significant amount of disputes between suppliers and customers?
5. What is the reaction to having an open book arrangement?
6. What is the support for partnerships?
7. How well do suppliers in the market understand the Higher Education market in Ireland?
8. What is their scale of investment in R & D?
9. Are there published price lists?
10. What discount structures are on offer?
11. What payment terms are normally used?
12. Is there justification for advance payment – if so what proportion?
13. What quality systems are used?
14. What are the environmental issues and how are they addressed?
15. What are their long-term strategic goals?

Cases of Low Cost or Low Specification or High Volume

All of the arguments for good supplier appraisal for the purchase of capital equipment apply equally to Low Cost and Low specification equipment.



SECTION 4 : IRISH/EU PROCUREMENT DIRECTIVES

The government guidelines on the procurement of goods and services state that:

It is a basic principle of Government Procurement that competitive tendering should always be used, unless exceptional circumstances apply. Thresholds exist for non-EU tenders and may vary according to individual institutions. These thresholds are subject to review and change. You should make yourself aware of the current threshold for your institution and ensure that you comply with it. Contracts above your institution thresholds for tendering must be advertised in accordance with those procedures and may where required be advertised on the government e-Tenders portal. (www.etenders.gov.ie)

- The threshold for non-EU tenders varies according to individual institutions but is generally in the €30,000 to €50,000 bracket (subject to change every 24 months). Contracts above your institution thresholds for tendering must be advertised on the government e-Tenders portal. (www.etenders.gov.ie)
- Tax Clearance Certificates are obligatory in all cases where orders or cumulative orders exceed €6349 annually.
- National Guidelines apply, not only to formal written contracts, but also to all procurements and disposals.
- If a contract exceeds the current financial threshold in the EU Directives (currently €236,945) the contract shall be open for competition across all EU Countries and shall be advertised in the supplement to the Official Journal to the EU.
- EU Public Procurement Directives shall be followed where a project is wholly or part funded by EU Institutions. This applies to all research contracts and capital projects.

The EU Public Procurement Directives lay down strict advertising rules for contracts. To ensure that there rules do not delay the commencement of projects the Procurement & Contracts office must be involved in the planning stages for all major purchases.

SECTION 5 : GENERAL INSTRUCTIONS

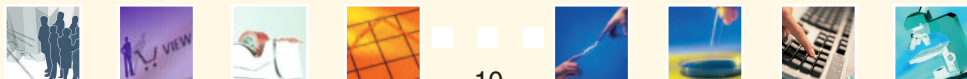
Tax Clearance Certificates

A condition of obtaining a Public Sector Contract of a value of €6,349 or more, (inclusive of VAT), within any 12 month period is that the contractor is required to produce either a valid C2 certificate or a tax clearance certificate. Such contracts can involve the purchase, hiring, leasing of goods, services or property by public authorities.

The Tax Clearance requirement applies even where the provision of goods or services is not the subject of a formal written contract.

Supplier must furnish the Original Certificate received from Irish Revenue Commissioners to University's Accounts Payable or other designated office. A copy will not suffice. The Original will be duly returned to supplier.

If you require further information on this requirement please click on the Department of Finance website: www.revenue.ie/services/taxclearance.htm



Negotiating for better value

Negotiation is a specific skill, grounded in experience, which most suppliers expect. It usually results in achieving better value for money, by exploring ways in which both parties can benefit at a reduced overall cost to the purchaser. The following checklist pre-supposes that the purchaser has chosen a short list of suppliers who have already quoted. In arriving at this shortlist, the purchaser may well have discussed the requirements with the supplier both before and after the supplier's quotations. Such discussions can in themselves provide major cost benefits, by identifying possibilities such as using an ex-demonstrator or last year's model, etc.

- Does the purchaser feel confident enough to negotiate?
- How should the purchaser negotiate?
- Has the purchaser negotiated for: additional accessories for the equipment? Or the reduction of the downstream maintenance costs for the equipment?
- Has the purchaser negotiated over unsuitable contract conditions?

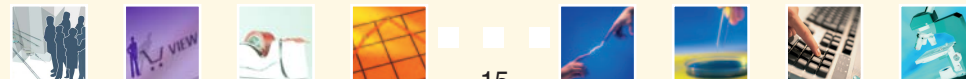


"..negotiation is a specific skill, grounded in experience....."

Matters for consideration by staff with purchasing authority

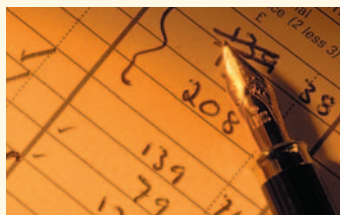
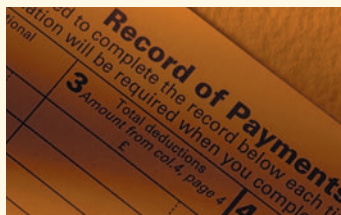
Delegated responsibility for purchasing places a responsibility on heads of department or equivalent to ensure that purchasing complies with your institution's rules and regulations, keeps within budget and obtains value for money in terms both of initial and downstream costs, bearing in mind that the latter will ultimately come from departmental budgets even if the former is funded from specific grants. Many of the questions in the earlier sections of the checklist will be relevant to discharging this responsibility, as may the following specific questions.

- Does the head of department authorise all equipment orders?
- Is the specification for the equipment appropriate to the user's needs?
- Is there a documented case supporting the procurement of the particular item of equipment?
- Is there appropriate segregation of duties? (e.g. P.O. administration; reconciliation; payment)
- Have the maintenance and other running cost implications of the equipment been considered?
- Is there an appropriate purchase ordering system?
- Are there arrangements for appraising the performance of equipment some time after it has been procured?



Purchase Orders

Purchase Orders must be raised for all and every piece of equipment purchased. This is mandatory. Purchase Order Processing to be carried as per normal instructions of your University. For Equipment of a high value it is recommended that detailed terms and conditions of contract are included on the purchase order. Your Procurement & Contracts Office may be involved with Purchase Orders processing in a value add capacity.



Payment terms

Public Sector standard payment terms are net 30 days from date of invoice. Individual Universities may have different standard payment terms. Researchers should consult with their Procurement & Contracts Office or Accounts Payable Office. All suppliers should be made aware of this at the outset of the purchasing process. Exceptions can be facilitated. However, payment terms should be used as a bargaining tool for further price reduction on unit price or warranty etc.

Payment in advance may be requested for custom-built piece of equipment for your University. This may be necessary if you wish to do business with a selected supplier, however we advise you to question at length with supplier to improve University position before agreeing to terms other than statutory Net 30 days.

Feel free to consult with your Procurement & Contracts Office.

Payment

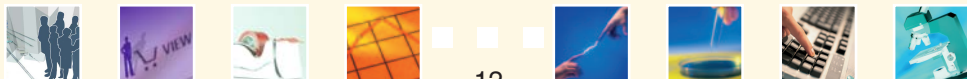
Invoices should be processed through normal channels as identified by your University's Account Payable Office.

Ethics

All Universities are bound by the Ethics in Public Office Act. It is the policy of the University institutions to maintain its' **high reputation for ethical behaviour and fair dealing** in the conduct of it's business. In many cases decisions as to what is ethical or fair is clear and will be obvious to any reasonable person. However in some situations, there may be an element of doubt or ambiguity.

The need for fairness, openness and transparency in procurement activities has long been recognised. As part of this requirement, the on-going need to maintain ethical standards on behalf of the buyer and the seller has come more and more into focus. The need to maintain high ethical standards whilst maintaining a strong working relationship between buyer and seller cannot be under-estimated.

Refer to Irish Institute of Purchasing & Materials Management www.iipmm.ie to download their Code of Ethics.



Site Visits

It may be necessary to visit a supplier on site as part of criteria of supplier selection. This needs to be assessed on a case-by-case basis depending on the value of equipment and/or business level with the supplier concerned. Where significant spend is involved and overseas travel is required to e.g. Europe, United States or Far East a cost benefit analysis should be carried out.

Auction Buying & Reverse Auction Strategy

UPCOG supports using new technology in the goal of securing research equipment in the most cost effective manner. Auction and Reverse Auction buying are now established keen avenues of securing substantial value for money.

There are undoubtedly greater risks involved as you are sometimes buying as is on the day. Return of defective purchase and/or compensation may not be a feature. Therefore considerable upfront planning is essential for success. There are serious cost benefits to be netted by sourcing distinctive equipment through auction. For success, considerable pre-planning and evaluation should be carried out and is essential. Researcher should draft and make available specifications of full list of equipment to be sourced. Assign buy-new prices and a ceiling of second hand valuation price of each piece of equipment. This should be agreed and logged between the researcher and Procurement & Contracts Office. Lot numbers from specific auction should be assigned. Note extra costs, like duty & excise tariffs, freight, packing & handling, customs clearance, Vat & administration costs to process are all features of international purchasing of equipment, and must be factored in the analysis of buy-new versus second hand at auction.

There are a number of large global asset sales and services firms offering a comprehensive service range including onsite and online auctions, private treaty sales, appraisals and valuations, consulting, trading, going concern sales and web cast technology. Your Procurement & Contracts Office will be able to provide a list of suitable firms.

Reverse Auction buying

The Reverse Auction allows you to maximise supplier competition by running an online reverse auction where over a period of days/hours your short-listed suppliers bid against each other for the contract. The supplier bidding the lowest price is awarded the business.

Consult your Procurement & Contracts Office for further details on host sites etc.

