



Collaborative Procurement
in the HE Sector in Norway

Report

Produced by UNINETT led working group
on procurements
(UFS125)

Authors: Lars Skogan, Hege Vanebo
March 2012

© TERENA 2012. All rights reserved.

Document No: GN3-NA3-T4-UFS125
Version / date: March 2012
Original language: Norwegian
Original title: "Innkjøpssamarbeid i UH-sektoren"
Original version / date: 2012-03-15
Contact: campus@uninett.no

UNINETT bears responsibility for the content of this document. The work has been carried out by an UNINETT led working group on procurement as part of a joint-venture project within the HE sector in Norway.

Parts of the report may be freely copied, unaltered, provided that the original source is acknowledged and copyright preserved.

The research leading to the results of this report has received funding from the European Community's Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 238875, relating to the project 'Multi-Gigabit European Research and Education Network and Associated Services (GN3)'.



Table of Contents

1	Introduction and background	4
2	Joint framework	5
3	Contract portfolio	6
4	Organisation of procurement processes	7
4.1	Timeline of the process	8
5	About mini competitive tenders	10
6	Evaluation of collaborative procurement	11
6.1	The benefits of collaborative procurement	11
6.2	Drawbacks of collaborative procurement	12
7	Financial and strategic significance for UNINETT	13
8	Legislation and regulations governing public sector procurement	14

1 Introduction and background

EU regulations governing public sector procurements stipulate how the public sector shall carry out its procurements. These specify the procurement procedures that all public sector organizations must follow.

The Norwegian Ministry of Education and Research has repeatedly encouraged the education sector to collaborate more on their procurement activities. Such cooperation is aimed at guaranteeing better follow-up of the regulations, and will contribute towards achieving better quality contracts.

In the past, with a few exceptions, collaboration on procurement between universities and colleges was limited and sporadic. In its annual report to the Ministry, the Norwegian National Audit Office has repeatedly highlighted breaches in the regulations within the sector.

Since it was founded in 1993, UNINETT has had a coordinating function in relation to telecom-related contracts in the HE sector. The company is the internet provider to the universities and colleges. In recent years, UNINETT has also coordinated contracts related to fixed and mobile telephony services, as well as the operation of private branch exchanges.

During the period 2004-2006 the company started expanding its' portfolio of collaborative ICT-related agreements for the HE sector. Prior to 2006, these contracts were used primarily by the colleges, while the larger universities maintained their own framework agreements. However, since the establishment of the GigaCampus program in 2006, UNINETT has been working with the largest universities with regard to producing joint framework agreements for the entire HE sector. These contracts are available to UNINETT's entire client portfolio.

2 Joint framework

UNINETT's dialogue with its clients has shown that the demand for a portfolio of framework contracts is very high and has increased in recent years. This is mostly due to the success of previous agreements, combined with the introduction of an increasingly more complex regulatory system governing public sector procurement.

Nevertheless it is still necessary to have a sound foundation for these processes. UNINETT has devoted a great deal of time to discussing joint agreements with decision-makers in the HE sector. The procurement panel of the Norwegian Association of Higher Education Institutions has acted as a representative on behalf of the HE sector, in relation to joint procurement agreements. UNINETT has attended meetings of the panel and administers a mailing list used both to distribute information to, and as a discussion forum among, all buyers within the HE sector.

UNINETT works with participants from the HE sector in all procurement processes. These are persons with high levels of expertise with regards to the contract subject, as well as the practical application of the agreements within the individual institutions. The large universities have been of particular importance because they are high-volume users and bring their commercial and procurement expertise to the processes. Participants also include technical experts from the universities and colleges who address requirement specifications and evaluation work which ensure that the needs of these institutions are given due consideration.

At the same time it is important to focus on the need to obtain solutions which provide the greatest overall benefit to the HE sector. On this issue, UNINETT plays a key role in maintaining a holistic perspective in relation to the process. In some situations, this may result in the drawing up of several parallel agreements which maintain the needs of both smaller and larger institutions.

3 **Contract portfolio**

At present, UNINETT oversees framework agreements in the following fields:

- ADSL for home offices
- Audio-visual equipment
- Data storage equipment
- Network equipment
- PC / servers
- Operating systems (Microsoft)
- Printing and copying equipment
- Software
- Telecom traffic (both for mobile and land-line telephony)
- Maintenance agreements for private branch exchanges.

As of 1 January 2012 there were 37 active contracts with different suppliers within these areas. Total annual turnover of the contracts in 2011 is estimated at approx. NOK 540 million.

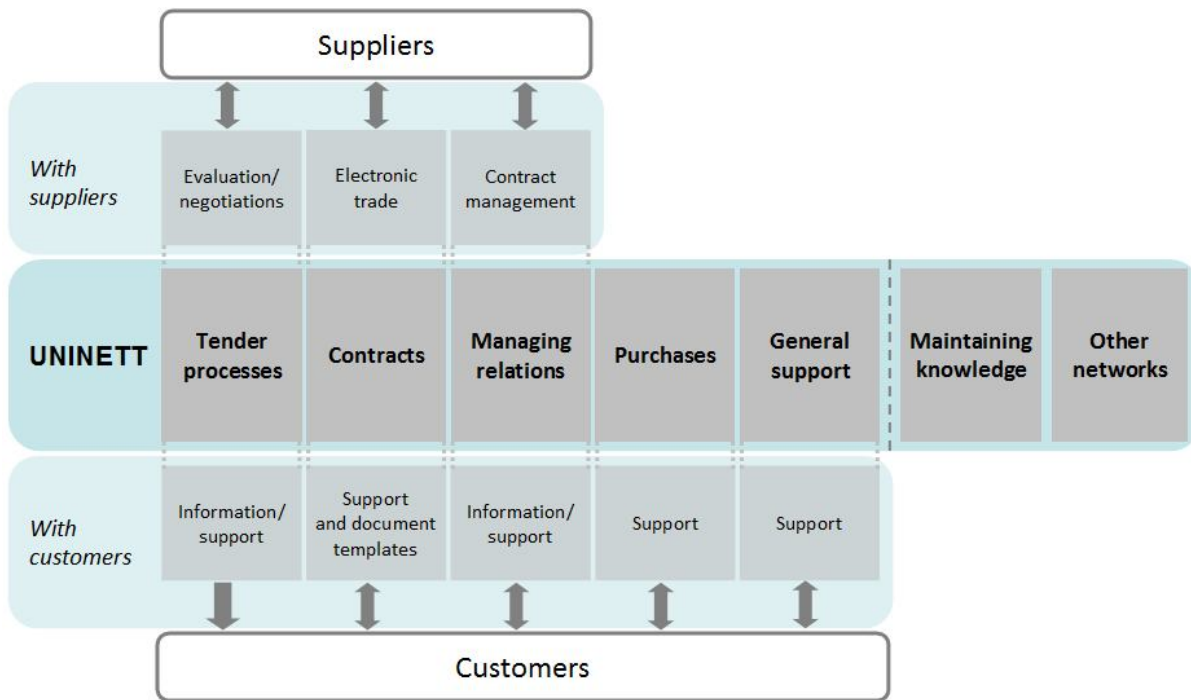
4 Organisation of procurement processes

A workgroup of five to eight people is established for each process. This size ensures a continuous progress, effective coordination and a high quality process. The work group normally consists of the following personnel:

- A Process Manager from UNINETT, responsible for
 - o coordinating meetings
 - o preparing documents
 - o obtaining legal advice, if necessary
 - o the release of tender announcements and notifications
 - o liaison with suppliers
 - o dealing with complaints
 - o preparing minutes of meetings
- Experts from the HE sector and UNINETT responsible for
 - o technical expertise related to the procurements in question (HE sector and UNINETT) and who are familiar with the day-to-day operational needs
 - o Procurement and contractual expertise (UNINETT and the HE sector)
 - o Financial expertise (UNINETT and the HE sector)

The tasks carried out by UNINETT as part of such joint procurement projects normally include:

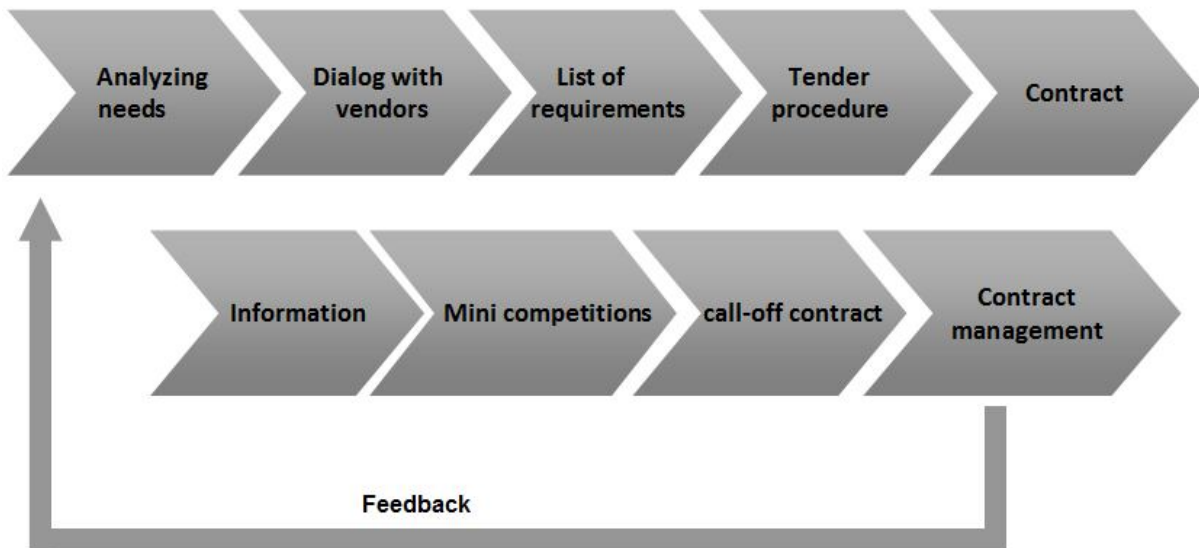
- Exploring the interest for joint agreements in a given product field
- The establishment of formal procedures in compliance with prevailing legislation.
- Meeting potential suppliers in order to gain insight into available solutions
- Carrying out the competitive tender and bid process
 - o Preparing tender documents
 - o Announcing tenders
 - o Administrating bid evaluations
 - o Dealing with questions from and clarifications for suppliers linked to enquiries or bids
 - o Arranging/conducting negotiation meetings
 - o Performing contractual work
- Call-off support processes
 - o Preparation and update of information regarding the contract
 - o Preparation of templates for mini competitive tenders ("mini competitions")
 - o Preparation of adhesion contract templates
 - o Assistance in relation to discussions/conflict resolution between suppliers and clients
- Contract management
 - o Status meetings with suppliers
 - o Monitoring of contractual terms and conditions



4.1 Timeline of the process

Competitive tender processes may vary greatly in their content and duration. The table below provides an indication of the *standard* timeline for a competitive tender process:

Establishment of the work group	Day 0
Initial contact with suppliers	Day 30
Preparation of specification requirements	Days 60 - 100
Approval of specification requirements	Day 100
Announcement of tender	Day 110
Deadline for bids	Day 160
First evaluation meeting	Day 170
Interim evaluation report	Day 190
Second evaluation meeting	Day 200
Bid protocol and recommendation of supplier	Day 225
Letter of award to suppliers	Day 235
Appeals deadline	Day 245
Contractual work	Days 245 - 265
Signing of contract	Day 265
Preparation of information	Day 275
Preparation of mini competition tender templates	Day 300



5 About mini competitive tenders

In certain situations a framework agreement will be entered into with a single supplier. This is appropriate in situations where the pricing is straightforward, and where there are economies of scale to be obtained by selecting a single supplier.

However, under normal circumstances framework agreements are entered into with several suppliers. This provides a guarantee of competitive pricing, since the suppliers are in continuous competition for customers. In framework contracts where there are several suppliers, award of contract is stipulated in the contract. Typically this is done by undertaking a mini competition between the suppliers in the framework contract. To ensure that these procedures are carried out efficiently and legally, reliable templates must be prepared for the HE sector. UNINETT places great emphasis on preparing “turnkey” templates for the implementation of mini competitive tenders.

The templates normally contain documents addressing:

- the rules governing the tender in question
- requirement specifications
- a price matrix
- an evaluation form
- a letter of award
- a bid protocol

It is important that mini tenders under the frame agreement do not entail excessive costs in terms of time and resources for both client and supplier. Pre-prepared templates ensure predictability for the suppliers, and dramatically reduce the time spent by suppliers in responding to identical mini competitive tender forms. Pre-prepared framework terms for mini competitive tenders also encourage acceptance of the templates, and this reduces the risk of subsequent complaints and legal procedures. UNINETT provides assistance if complaints are raised and provides advice to both clients and suppliers. It consults with the parties in question, and offers help in seeking amicable resolutions. UNINETT also obtains legal advice and assistance, if necessary.

6 Evaluation of collaborative procurement

6.1 The benefits of collaborative procurement

The HE sector reaps the following benefits from joint agreements:

- **Scale benefits / collective buying power**
Joint agreements have resulted in highly competitive terms and conditions for the client base. The terms and conditions in many fields have been shown to be more favourable than even the largest institutions have achieved when acting independently. By aggregating demand, we obtain volumes which make it more attractive for the suppliers to provide competitive bids.
- **Lower labor costs**
By aggregating procurements as part of larger processes, each organization saves considerable time and money administering their own tender and bid processes. The suppliers also incur lower labour costs as a result of administering fewer bidding processes. The clients may benefit from this in the form of lower prices.
- **Better technical work linked in the procurement process**
A vastly aggregated volume justifies employing greater technical resources during the process, which in turn increases the technical quality of the procurement.
- **Reduced legal risks and costs linked to the procurement**
The suppliers' threshold for making complaints in connection with a given procurement has been lowered in recent years. The legal risks linked to public sector procurements are thus higher than they were just a few years ago. Aggregating demand into one large process justifies spending more time ensuring adequate legal quality assurance of the entire procurement process. This contributes to a better adherence to procurement regulations and a reduction of legal risk.
- **Increased levels of collaboration between the institutions**
Representatives from the HE institutions participate directly in the processes, and thus contribute towards increased information exchange within the HE sector. Furthermore, this ensures that we utilize personnel with the best technical know-how for each procurement process.
- **Standardization**
There is reason to believe that joint frame agreements result in a smaller selection of suppliers and manufacturers than if such agreements were not available. This means that there is a greater likelihood of the existence of similar technical solutions across the organisations, which in turn provides opportunities for better collaboration between the organizations.
- **Better logistics**
By cooperating, the HE sector achieves more coordinated and efficient logistics with suppliers with regards to procurement systems, e-business solutions, customer follow-up and reporting. These benefits are in turn incorporated when producing new standards and electronic solutions.

- **Joint compliance with standards and achievement of public sector targets**

Joint procurements help to establish standardized requirements linked to the environment and other external factors, including compliance with international labour laws such as those linked to the ILO Convention.

UNINETT performed an evaluation of procurement activities carried out in 2008 by the consultancy firm Capgemini, which calculated estimates of the savings being made by collaborative procurement. Even though such calculations are burdened with uncertainty, the report estimated savings of between NOK 40 and 70 million during the period in question.

6.2 Drawbacks of collaborative procurement

Collaboration brings several benefits, but clients may also experience certain drawbacks. The need for standardization in a large framework agreement may reduce flexibility and freedom of choice for individual institutions. Moreover, a framework agreement may create further distance between the customer and a major nationwide supplier than would be the case for a smaller local alternative.

In some cases it will take longer to arrive at an agreement when needs of several different institutions are to be met through a single procurement process.

7 **Financial and strategic significance for UNINETT**

UNINETT's activities linked to collaborative procurement have strengthened the company's position in relation to key groups of the client segment. Furthermore, the framework agreements have attracted interest from potential clients who regard the contract portfolio as a key argument for becoming UNINETT members.

As is described in Chapter 6, the benefits for the public sector and for UNINETT's clients are evident. UNINETT also obtains the following benefits:

- The company makes a contribution towards real savings, which is greatly appreciated by its clients.
- The company retains a valuable service provision within its services portfolio
- The company consolidates its expertise in the field of joint procurement

8 Legislation and regulations governing public sector procurement

The Norwegian Public Sector Procurement Act and associated statutory regulations govern all public sector procurements made by public sector organisations, including those linked to higher education and research.

On an annual basis, the Norwegian public sector purchases goods and services to the value of almost NOK 400 billion. Within the EU, public sector procurements represent about 16% of GNP. Procurement legislation is designed to ensure that these resources are spent in a cost-effective and socially-beneficial way, and such that the public sector contributes towards the development of a competitive private sector.

Legislation governing public sector procurements has been in place since the 1970s. Several amendments to the legislation have resulted in increased levels of legal complexity. European Courts and the European Court of Justice have made rulings which lead to changes in practice, often adding to the complexity in the field of public sector procurements.

Current Norwegian legislation is grounded in EU directives for public sector procurements. The most recent of these is the EU Public Sector Procurement Directive 2004/18/EC.

The following references contain more detailed information:

- The Norwegian Public Sector Procurement Act:
<http://www.lovdata.no/all/hl-19990716-069.html> (in Norwegian).
- Statutory regulations governing public sector procurements:
<http://www.lovdata.no/cgi-wift/lldles?doc=/sf/sf/sf-20060407-0402.html> (in Norwegian)
- Guidelines to the rules governing public sector procurements:
http://www.regjeringen.no/upload/FAD/Vedlegg/Konkurransopolitikk/Anskaffelser/Veileder_reglene_offentlige_anskaffelser_komp.pdf (in Norwegian)
- Easy guide to public sector procurements:
<http://www.anskaffelser.no/filearchive/enkel-veileder-i-offentlige-anskaffelser.pdf> (in Norwegian)

