

Innovative tendering and awards process instead of guessing prices – for facility services

The tendering process used in Germany for Facility Services only delivers bids that are comparable to a limited extent and thus an accurate judgment. The valuation systems for concept and prices promise clear and quantifiable grading of the qualitative and commercial aspects, but in many cases the result is imprecise and interpretation thus ambiguous.

Long and iterative calculation rounds and awarding discussions are reflected in the planning process with the corresponding costs. And yet, with fixed evaluation schemes, in the end the choice falls to the bidder who calculates his offer most creatively, who uses a gap in the tender to shine with his offer.

In order to find out how the awarding practice for facility services can be improved, 20 different procedures with 90 offers were examined in an internal study.

Award types and valuation methods

Public procedures for facility services are regulated by national and EU law, whereas private procedures can be designed essentially freely. In most larger companies, compliance conditions apply, which are similar to public practice in many respects. However, in the public sector the so-called negotiated procedure - the multi-stage negotiation with bidders on concept and price - is the exception.

In pricing, the so-called "bottom-up" and "top-down" methods are used in parallel and are mutually "optimized" to determine a competitive price. This results in the phenomenon that similar overall prices are submitted when facility services are awarded, but at the same time significantly different unit prices are submitted.

Evaluation methods for price and concept

In addition to the bid price, almost all award procedures take into account conceptual approaches in order to determine the most economical bid.

The price evaluation is usually based on a points system, whereby the lowest price receives the maximum number of points at 100 percent, while the higher price receives a lower evaluation in percentage terms. Bids with a bid price that falls below a minimum calculation, that is, with an inadequate calculation, result in rejection.

The valuation of quotation concepts is based on the previously defined suitability and valuation criteria. Eligibility criteria are minimum requirements such as minimum turnover or the qualification of a bidder; failure to meet them will result in the exclusion of the bidder. Evaluation criteria refer to the content of the concept. Both parameters are then combined on the basis of a defined weighting. The deficits of this - currently standard market practice - lie primarily in the quantification of quality aspects. Often the concept evaluation is based on subjective assessments and a lot of "gut feeling" without taking into account the actual price effects of the quality differences.

The results of the analysis

Strong fluctuation in technical services

In the case of technical services, there is considerable variation in individual prices in competition. Fluctuations of up to 50 % around the average value are not uncommon. On average, prices vary by about 25 %. The reasons lie in different approaches to the provision of services and the allocation of the costs of central functions. In contrast, infrastructure services, especially cleaning services, often achieve unit prices that are less than 20 % around the average value despite a larger group of bidders.

In public procurement, the prices of the competing bidders vary in individual items by approx. +/- 5% less than in comparable private tender procedures, although there is a larger number of participants in public procedures without bidder preselection. This leads to the assumption that in the case of private-law awards, later rounds of negotiations and potential supplements have already been priced in.

On the other hand, private - in contrast to public - awards often give similar marks to bidding concepts, as the analysis of the quality evaluations shows.

In the case of private awards, there is a selection of the group of bidders before the tender is issued on the basis of qualitative aspects, which is unusual for public contracting authorities. The resulting large group of bidders and a stricter "black and white" evaluation of evaluation criteria in public awards lead to the described differences.

In all award procedures the price dominates the overall evaluation by a higher weighting of 60 or 70 %. Only in a few cases do

qualitative aspects are more than 40% important, although many clients believe that facility services, especially those provided by full-service providers, are of poor quality. Experiences from implementation projects and quality audits document that the lack of quality can usually be attributed to prices that are too low and do not meet quality standards. Consequently, the system of awarding and evaluating contracts favours such quality deficits.

With regard to the commissioned bids, this is conspicuous: In the case of public contracts, the tender with the lowest price is usually awarded. In the case of private awards, the bid with the best evaluation in qualitative aspects is more often awarded.

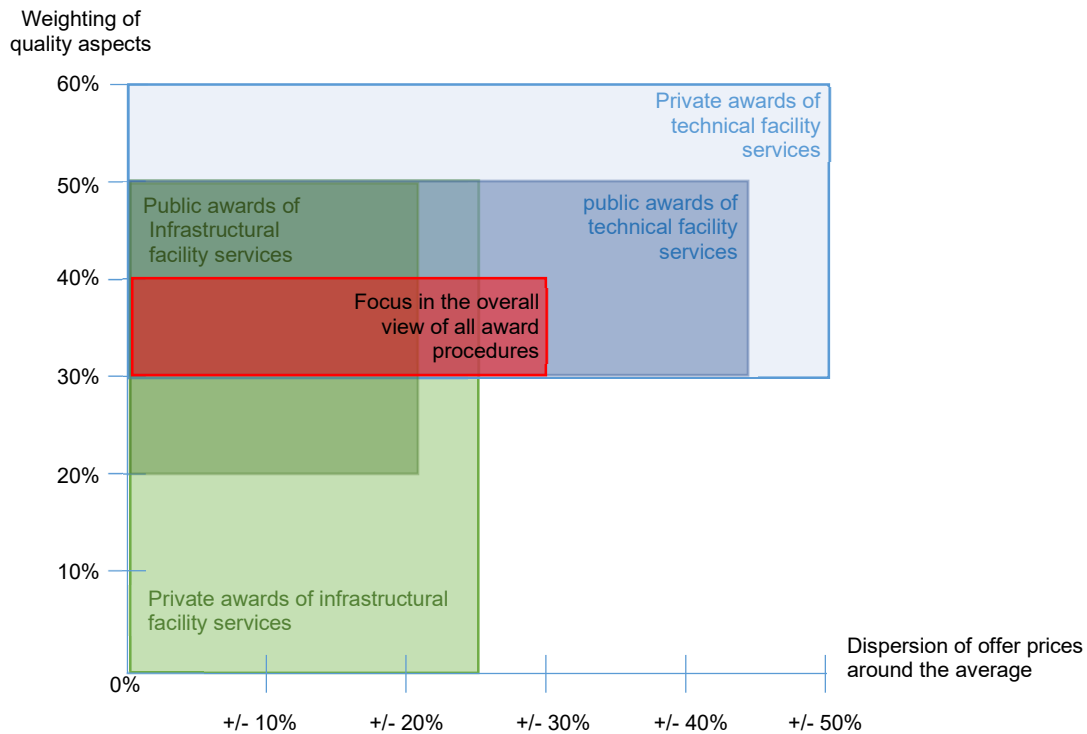
On average, the price difference in the evaluated projects between the commissioned bid and the "runner-up" in the competition is about 8%. Against the background of the quality aspect, the question remains to what extent such a price difference can actually be associated with the same expectations of performance.

What could the awarding of the future look like?

The customer wants "good quality at the best price". In order to move away from a price war that is at the expense of quality in the provision of services and towards a competition of innovative ideas and fair partnerships in facility management, new approaches and methods must already be chosen in the tendering and awarding process. The following procedures have proven themselves in practice, not least because the total costs of the invitation to tender on the part of the client are reduced due to a lower evaluation effort.

With the help of a modified evaluation system without double-track evaluation, comparable competition can be achieved. This can be achieved, for example, through upstream concept consulting, followed by the tendering of a concrete service and quality concept with evaluation of the tender prices. Alternatively, the tendering and evaluation of concept ideas would be possible on the basis of a given budget for facility services.

Thanks to a modified awarding procedure, e.g. award to the middle price or exclusion of the lowest bid prices, changes would be noticeable. Other types of contracts such as "cost-plus-fee" or "project alliances" promise additional transparency and fairness for the parties involved.



The results of the study at a glance.

Qualification- and evaluation criteria for awarding facility services (examples)	
Qualification criteria	Evaluation criteria
Self-declarations on the existence of compelling grounds (pursuant to Section 123 GWB) and optional grounds for exclusion pursuant to Section 124 GWB	Implementation planning and organizational structure of the start-up team
Ability to exercise the profession	Structural and procedural organisation of regular operations/personnel and operational concept
DIN EN ISO 9001 certification of the company	Ensuring the availability of resources for service provision/accessibility of operating personnel
Comparable reference project of the last 5 years	Use of operational management systems and associated mobile solutions
Economic and financial capacity	Documentation/reporting and quality management/optimisation/ further development

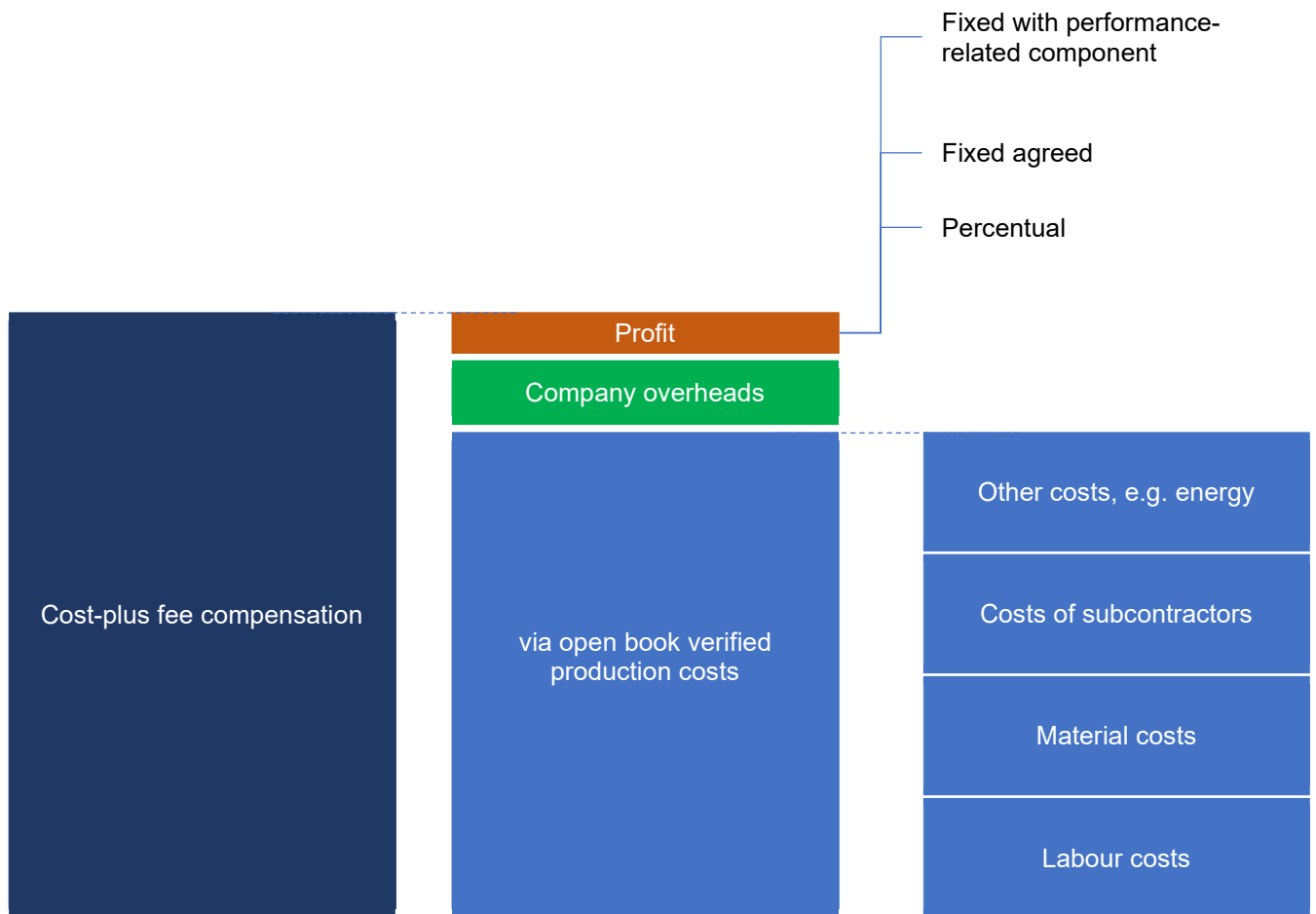


Figure: Composition of cost-plus fee compensation.

Source: Canzler GmbH.