



INVESTIGATION BY **LEE WOODCOCK**

Open doors or barriers to entry?



Businesses large and small do it - chase the often big-money contracts put out to tender by national and local governments. The rules on procuring such contracts are strict, and are designed to offer a level playing field for applicants, value for money for taxpayers and minimise any risk of fraud.

But do they work, or do they favour the established suppliers whilst making it difficult, or prohibitively expensive for smaller businesses to join in?

I asked Nick Hewitson, former owner of Smart CCTV, to give his views as an SME: leading British consultant Andy Graham who, among other things, helps companies with their bidding; the former Transport Minister

Dr Stephen Ladyman; and, for an international view, Atkins's Senior Program Manager in America Suzanne Murtha.

Lee The tendering process seems to involve lots and lots of people, many of them very expensive. This seems a rather inefficient way of doing things?

Nick Hewitson The tendering process is designed to do three main things: Is the tenderer financially viable and do they have the expertise and resources to deliver the project.

Financial data is common for all tenders, frameworks offer a route through this but it would be sensible for the DfT to replicate the way the Government Digital Service (GDS) operates with its emphasis on engaging with SME suppliers to

The M25 DFBO contract was one which involved many separate companies all using dozens of expert staff on their bids

provide IT services. The Treasury has estimated the GDS has saved over £6 billion in procurement costs in the 2014 / 15 financial year over the baseline 2009 / 10 financial year. Such a saving in procurement for Local Authorities would be a godsend to them.

The expertise sector of a tender is specific to the requirement but a key issue is the resources. The amount of time it takes from tendering to award is often very long, so while a tenderer may have the resources to deliver when they do the tender, this situation may have changed by the time of contract award.

Stephen Ladyman Ministers with responsibility for road building





and councillors in authorities that have responsibility for roads are primarily looking for three things from a tendering process. To get the best value for taxpayers, to make sure the winning bidder is capable of delivering on time and within the contract price and that everyone has a fair chance to win the business.

These three elements of the process are non-negotiable and anyone who proposes an alternative to the processes in use today must address them. In addition, there are 'desirable' elements that the process should address such as encouraging UK business involvement, attracting the latest proven technologies and encouraging the involvement of SMEs.

Unfortunately, it is debatable whether the process used for major projects achieves these ends. A series of projects that went over budget and took longer than planned prompted Sir John Bourn, head of the National Audit Office in 2007 to write "The Department for Transport and the Highways Agency need to define more clearly the risks to estimates at the point schemes enter into the programmes and the Agency should make sure that they have sufficient numbers of skilled project management and commercial staff".

About a third of projects completed in 2006 were costing over 40 per cent more than the estimated cost so you can understand the NAOs concern and it will be interesting to see if Highways England continues to employ the appropriate level of skilled staff as budgets tighten.

Often companies hire bid writing experts who know how to phrase answers to gain most marks for answers, prompting fears companies could win contracts thanks to well-written bids rather than expertise

Government procurement is governed by Europe-wide rules

Andy Graham It depends on what is being procured but in general yes. The risk-averse nature of some clients means much internal review, stakeholder sign-up across organisations and gold plating of requirements often adds complexity, time and cost to bidding. They need specific outputs and outcomes...not how to do it. They often unwittingly then take on design risk by specifying too much of the "how".

Suzanne Murtha Engage younger people in the process. Our industry is lopsided and has very few new people. Generally we need to focus on efforts on recruiting younger people. Also, over all, perhaps building standards for equipment could help reduce costs. If we have minimal performance standards to which we wrote procurements, prices may be

lowered. Another approach is described below where several organizations are pre-qualified at a high level and then shorter, maybe single page, proposals are requested for individual tasks. This saves on the buyer and seller side for longer term arrangements. Most recently, US DOT put a suggested time limit of five years on longer term contracts.

Lee How much effort is involved for a serious business?

Andy Graham Huge amounts - even for SMEs. We have to produce far too much paperwork just for a few thousand pounds worth of work. The PQQ process to select tenders for a next stage often has substantial costs. Frameworks do help reduce this and should be used more, but need to be more SME friendly. I can only work on them by subcontracting





ABOUT THE ATKINS INVESTIGATION

ATKINS

ATKINS IS A COMPANY which will always work for its clients to understand the issues involved and provides expertise, answers and ideas in ITS, and now more recently in Smart Cities and Intelligent Mobility. Delivering an appropriate and sustainable transportation network for the 21st century is an exciting challenge. Atkins is committed to planning, designing and enabling our clients' transportation programmes.

Atkins has a proven track record of successfully planning, designing and enabling urban transport and environmental improvements across all scales of developments. Successful transport strategies examine the journeys that people need to make in all aspects of their lives and provide realistic travel options. The services provided to clients range from strategic policy advice and performance management, through all aspects of demand forecasting, behavioural analysis, to accessibility, transport for land development, streetscapes and traffic engineering design.

Atkins supports the Atkins Investigation in Smart Highways because the investigation, like Atkins, gets to the heart of an issue in order to understand it, and then utilise the knowledge and understanding to help its clients translate and navigate difficult issues in order for them make the right decisions safe in the knowledge they have the facts.

used to simply write me a letter asking for say five days of work that I was expert in ... now they go out to a "mini" competition and you suspect it takes more effort to let the contract on both sides than the work required...

Frameworks for buying products are a good idea but the cost of getting on them needs to be thought through.

Nick Hewitson For smaller technology based projects my concern is more around fairness. There are a lot of warm words about encouraging SMEs to bid but recent tenders from the Catapults have asked bidders to identify so many people who would dedicate their time to a project as a pre-requisite that few SMEs will be able to comply.

Suzanne Murtha That is something that occasionally happens in the US. Sometimes the bid is written to a specific solution rather than being cost-

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to bigger players like Atkins (who are very supportive) but this does add complexity.

Nick Hewitson We estimate that the cost of tendering can be up to 10 per cent of the contract value, given that no company is ever going to win 100 per cent of the work it bids for, a significant profit margin on the contracts won is needed to cover the day to day bidding costs.

Stephen Ladyman I can recollect attending meetings with ministerial colleagues from the EU and discussing road building costs. When I told them that a mile of motorway in the UK costs £24m and a mile of dual carriageway costs £16m (which were the figures in 2005-7) they would look at me in amazement. In fact, given the standard of engineering employed in the UK, the cost of land and the greater need to provide bridges and crossings the costs were probably not out of line. But the real frustration was that every time a project over ran or cost too much it pushed another scheduled improvement, eagerly awaited by the local population, back in the programme.

Suzanne Murtha Depends on the size of the procurement. A response to a large federal procurement is at least a \$250,000 undertaking. A smaller procurement may only be a \$10,000 investment. Therefore, if 10 firms replied to an RFP, the cost overall would be approaching \$3m. Generally, on the buyer side, a consulting firm builds the RFPs on behalf of a client and that firm is excluded from bidding on the work.

Lee Could we be cleverer? Like having single source bids if the product is a) wanted and b) patented?

Nick Hewitson Single source bids would speed things up but there would be issues with EU and UK procurement rules.

Andy Graham It's against the EU law to specify a given product (and not good practice), but single source bids for specific expertise for low cost work would be much better. Many clients

based. Also, another approach is some states have pre-approvals, where a firm is part of a pool of pre-selected firms, and then those firms can do smaller, more focused responses to specific tasks. This is more efficient, and involves much less effort all around. Usually at the federal level, a notice is required if a single source award is made. At the local level, the ability to single source contract varies widely by state. In some states, under some managers, this practice is not acceptable. In some states there is a ceiling for a single source award to enable the concept addressed in this question.

Lee The process is quite slow, is there a chance technology has moved on by the time a product is delivered?

Andy Graham Yes. Quite often the state of the art moves between PQQ and tender letting, so output and outcome specs are really useful here. "We want you to deliver this level of service and follow these rules for safety and security, and for interoperability" means a tenderer can chop and change the solution as new products and thinking emerge. But equally, some contract clauses that are written to keep up with technology are not helpful. Many times a client requires the latest version of software to be used, yet good practice would be not to move all mission critical IT systems to Windows 10 just yet. Again the lack of technology experience in some clients means they don't understand the implications of what seems a simple clause with good intentions.

Technology is always moving on so yes it is often the case that better or cheaper products are available, that being said there will also be issues with testing and type approval for products and the commonality of spares. The lowest purchase price item doesn't always have the lowest whole life cost. In fact this is one of the key weaknesses of the tender process, you are scored against the lowest bid price which is not always the best value for money.

Stephen Ladyman I have a concern that tender processes can also exclude the latest technologies from SMEs. To get type approval you first need to

