



Price/quality ratio standard needed

At the 2012 conference convened by Commissioner Barnier in the run-up to the revision of the then public procurement directives it became apparent that lack of professionalism on the side of public procurers was a barrier to better value and innovative procurement. Public buyers often tend to use the lowest price criterion to circumvent subsequent criticism. In order to remedy that situation, the European legislator decided to move away from contract award based on 'lowest price' only, towards award to the 'most economically advantageous tender' (commonly referred to as MEAT) based on both quality and price criteria. It includes a definite shift towards quality in the award process - not only for services, but also for works and supplies.



Commenting on the actual procurement legislation, EFCA President Kevin Rudden said, "the MEAT should be interpreted as the tender which ranks best according to the award criteria, where marks are apportioned between quality-based and price-based criteria, according to the adopted proportion between price and quality, i.e. the price-quality ratio."

"Because quality criteria are not linear and therefore difficult to assess" Mr Rudden continued "the EFCA internal market committee has been working on a guideline to identify quality criteria and how to use them. Once

Five steps to improve public procurement and help reach targets for climate change



Marcin Mikulewicz

Public authorities are being given a helping hand by the consulting engineering sector, as they wrestle to balance quality and price when commissioning public services like hospitals or transport systems. The pressure of going for the cheapest option is leading some to value the initial price of a project more than sustainability – moving away rather than towards the EU goals in climate change and energy efficiency. New industry guidance, however, is already helping to create projects that better fulfil the needs of people and environment, while also reducing costs in the long-term.

The 5-step guidance, deceptively simple but potentially so far-reaching it could change the reality of the built environment, is being launched by the European Federation of Engineering Consultancy Associations (EFCA). It is purposely short, simplifying a complex area into an easily translated, pan European and proven methodology. It helps organise project teams, clarify goals and determine quality criteria and their usage, in improving project performance.

Cutting costs can be expensive

Paying more for an innovative design service at the start of a project and using life-cycle thinking can improve long-term efficiencies and value for money, as well as reduce risk and costs. But the growing number of disputes and delays in some countries could be pointing to a continued over-emphasis on 'award by price': successful bids have cut costs so much they have led to bankruptcies, and contracting authorities have suffered steep costs from having to re-tender.

EU legislation introduced in 2014 was a major step towards realising sustainability goals by promoting quality criteria in public contracts. The challenge since then has been in making effective use of it. Pawel Zejer, board member at both EFCA and the Polish Institute of Building, points out that if there is no focus on quality and expertise, consulting engineers won't be using their intellectual potential to create effective and resource efficient projects. "We must remember the goals of environmental protection, sustainability, lowering CO₂, are important for the globe," he says, "but they are very demanding for projects. They require effective and efficient investment, and resources, including intellectual. Without it, we won't reach strategic goals."

Marcin Mikulewicz, vice president at Poland's National Association of Consulting Engineers, SIDiR, and owner of two construction companies, points out that it's the way the legislation is used that is important. He recalls the international agreements



finalised the document will be promoted to the European institutions as well as at national level through our member associations across Europe. In Poland, the local association has successfully promoted the draft document to the national roads authority."

Qualitative and other performance considerations have seldom been integral to the procurement competition process. Although contracting authorities claim to use other criteria than price, in general, they often focus on the lowest price but not on the economically most advantageous outcome which is e.g. taking into account quality or life cycle cost. This can be explained by the fact that the weightings attributed to price and quality are defined randomly and because of the very many different methods used for assessing the MEAT.

Conscious of the significant economic leverage of public procurement and the opportunity that Directive 2014/24/EU provides to include quality in the competitive procurement process, EFCA is seeking to enhance the use of the MEAT criterion and promote a practical approach.

Mr Rudden further explained that "one way of simplifying the introduction of quality criteria in public procurement would consist of introducing a standardised price/quality ratio assessment. The overall challenge is to standardise the points of quality and price in order to obtain the intended weights materialised in the evaluation. Variation in price and quality must be taken into account as to reach an unbiased evaluation."

The University of Helsinki, Department of Mathematics and Statistics, has developed a standardised price/quality ratio methodology and tool which is easy to use and has the merit of being transparent. In Finland, the standard has been successfully used for several years and has a proven track record. For the development of a European standard, EFCA would highly value an opportunity sharing this simple standard evaluation system tool, which eventually may assist awarding authorities with the implementation of MEAT at the operational level.



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EFCA has member associations in 26 countries, and is the sole European federation lobbying on behalf of engineering consultancy and related services, a sector that employs around one million staff in Europe. EFCA contributes with a strong and cohesive input to legislative actions of its national associations on issues affecting market conditions. Furthermore, the organisation works as a Europe-wide platform for national associations and their member firms to gather relevant facts and discuss issues with their counterparts.

from COP22 in Paris to fight the rise in global temperature. "Society's problems are so big," he says, "how we use the award criteria is vitally important. EFCA's 5 steps is a good starting point."

Cheap hospitals not best for the planet

The 2014 EU procurement directives acknowledge building the cheapest hospitals or motorways is not necessarily going to be best for the planet. Mr Zejer explains, "the directives enabled contracting authorities to take much greater account of expertise and experience, for example, and the impact has been significant. There is now more flexibility, with contracts awarded on a price : quality ratio. The problem remains that too many are still giving a weighting for price or 70% or more."



Pawel Zejer

Mr Mikulewicz agrees. "EFCA guidance puts the threshold for quality at 50% but the authorities must be brave to put it at 50% or more. I don't look at price anymore, I look at the total cost of ownership which could include maintenance and other expenses occurring over the next 10 years, for example. We are changing our perspective."

Why is it so hard to build sufficient quality criteria into a project proposal? The issue is far from straightforward and old habits die hard. Transparency means politicians and taxpayers can still criticise the bottom line. Though the Netherlands and Scandinavia, for example, frequently make good use of quality award criteria, in some other EU countries costly contractual disputes are growing which can, ironically, often be put down to contracts being

awarded to the lowest bidder. "Sometimes, tenders demand long warranty and short implementation periods. But the winning contract could have the longest warranty, the shortest execution period and the cheapest price. That is worse than an offer based on price alone!" Mr Mikulewicz points out.

Use the experts and review the goals

Importantly, the first step in the guidelines reviews project goals – if people need access to medical services, there might be a more effective solution than building a hospital. "And for this, we need the right people, excellent skills, broad experience, someone who listens, can predict the future and who knows how to do the job.

"For simple, commodity-based projects, yes make price the priority; for complex multi-disciplinary projects providing, for example, a medical facility or a transport system, the quality of staff, materials, and IT systems should all be taken into account. We need to open the doors for innovation and give some fresh air to engineers," Mr Mikulewicz concludes.

"I can see employers using 'most economically advantageous tender' procedures more widely these days, there has definitely been progress," concludes Mr Zejer. "They are using quality criteria and testing new approaches. There have been conferences looking at best value procurement too, mainly in the Netherlands but also in Poland, the Czech Republic and Sweden. But we still have a long way to go."

Both specialists agree that the guidelines are part of an iterative process relying on constant improvements, reviews and learning from the internal market. The 5 steps could also broker stronger relationships between contracting authority and bidders as they discuss the way ahead and adapt to new circumstances.

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