



'Juste retour' and 'BVFM' @ CERN

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CERN Vision



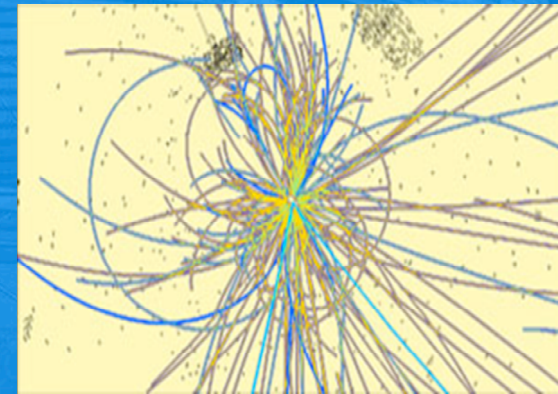
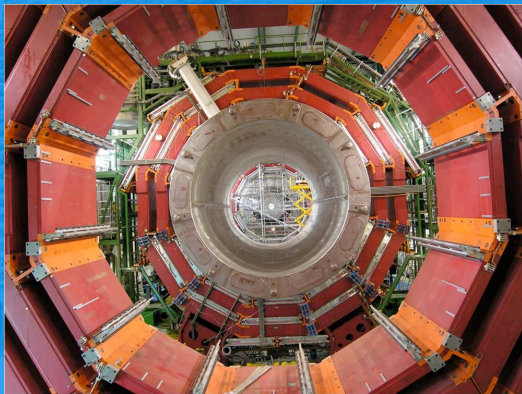
Physics



1954



2008



EXPLORATION

CERN in Numbers

2300 staff*
776 Fellows and Associates*
9000 users*
Budget >600 M EUR

*17 July 2007

Member States:

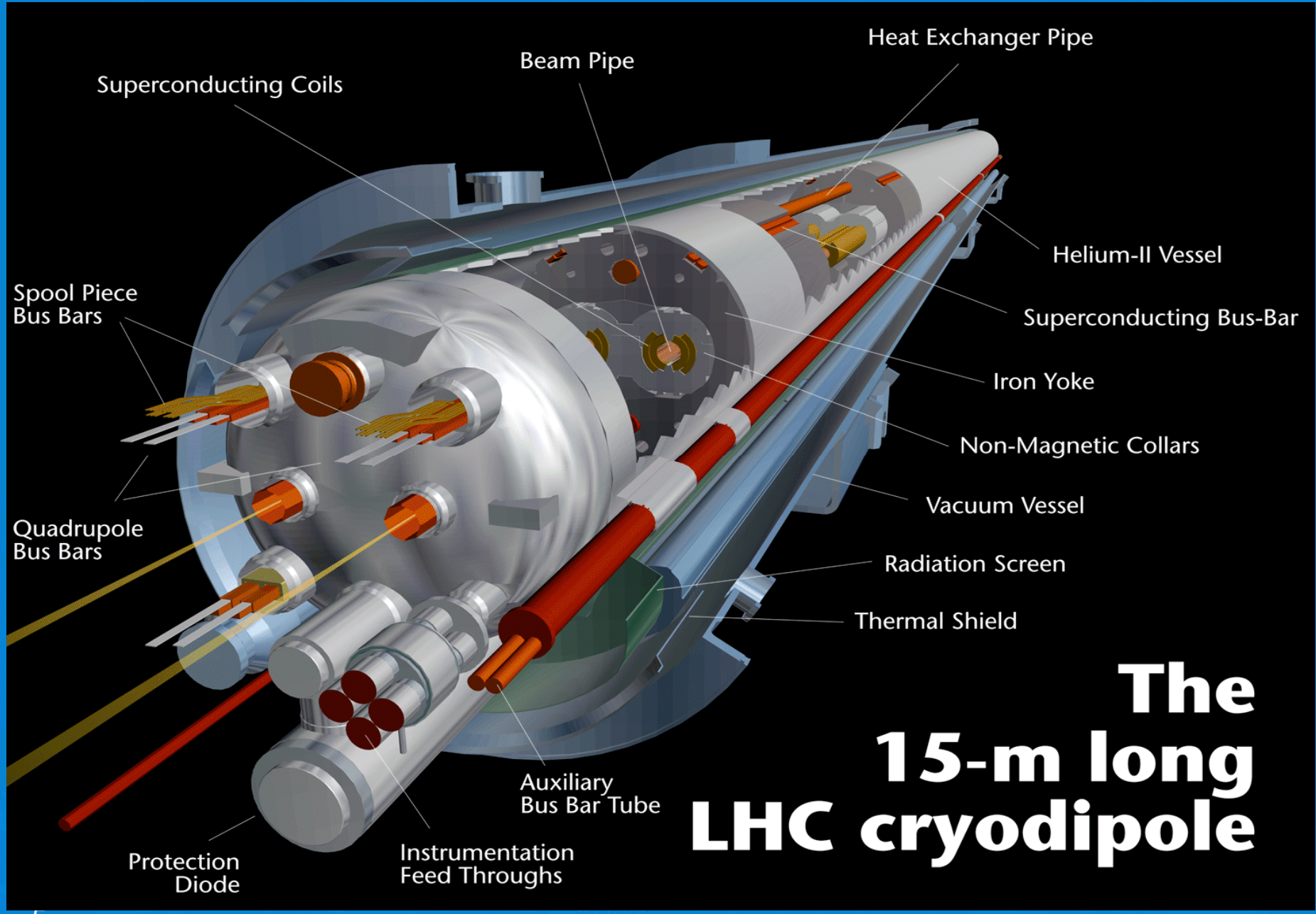
Austria, Belgium, Bulgaria, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and the United Kingdom.

Observers:

India, Israel, Japan, the Russian Federation, the United States of America, Turkey, the European Commission and Unesco

Purchasing at CERN is characterized by:

- Complex high-tech items, engineering environment
- Political impact (transparency, in-kind vs. cash, local impact)
- International character
- Fair return! Why?



The 15-m long LHC cryodipole

Mechanism of fair return

THE RETURN COEFFICIENT OF MEMBER STATES IS THE RATIO BETWEEN THAT MEMBER STATE'S SHARE OF THE VALUE OF CONTRACTS AND THAT MEMBER STATE'S CONTRIBUTION TO THE CERN BUDGET OVER 4 YEARS

$$\sum_{1-4} 1 - \text{NMS}$$

NMS= Non Member States

BALANCED MEMBER STATES

FOR 2009, A MEMBER STATE IS CONSIDERED POORLY BALANCED IF ITS INDUSTRIAL RETURN COEFFICIENT IS:

< 0.93 FOR SUPPLY CONTRACTS

< 0.40 FOR INDUSTRIAL SERVICE CONTRACTS

OTHERWISE, IT IS CONSIDERED TO BE WELL BALANCED



How?

Selective tendering

Realignement

Lowest compliant bidder

Lowest compliant bidder vs. best value for money or best technical offer/fixed budget.

Move to Best value for money for Services Contracts and High Tech requirements

• WHY BEST VALUE FOR MONEY?

- Clients demanding the provision of services face obstacles rarely faced by their counterparts demanding the purchase of goods. Naturally, services are not as tangible as goods and accordingly it is more difficult to anticipate the nature of the provision and what value for money you will get. Guaranteeing value as a function of the price paid may not be straightforward.
- Though many factors come into play, the quality of most services depends to a large extent on the quality of the service provider's personnel. The remuneration of personnel is thus a critical component of service costs. Whereas a manufacturer may use technology, value engineering, and other techniques to optimize the cost of goods sold, the service provider often faces an unrelenting pattern of increasing costs.

Example : Cooling and ventilation contracts

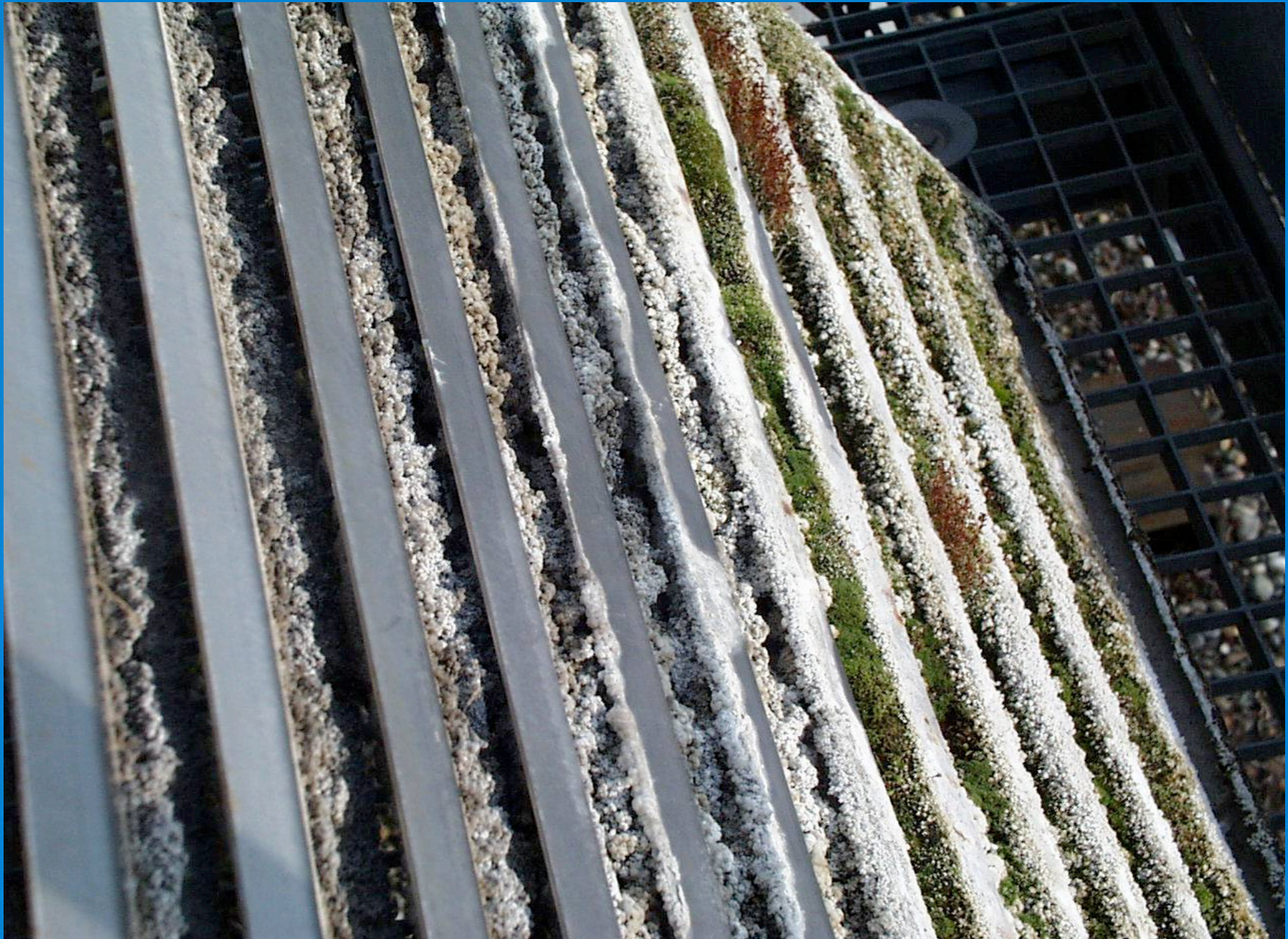
CERN's cooling and ventilation system=4000 installations of heating, ventilation and air conditioning systems. The equipment is critical for the operation of the accelerators and experiments

2003-2005: Contractor encountered financial problems and refused contractual extensions.

2006: CERN launched a new IT. The lowest technical compliant bid was 40% cheaper than the next bid; CERN informed the lowest bidder about this during the contract negotiations;

Cooling and ventilation contracts

- Despite the assurances received, the new contractor encountered serious financial problems and decided to stop the contract less than one year after it started;
- Therefore, a third contract in less than 2 years
- Due to this, the technical installations have been badly maintained and are in poor condition. Some pictures to illustrate it...





• Conclusions

- Fair return: difficult to avoid. Contradiction between best possible price and restriction of competition due to fair return. How to value the return (just in money terms?) On which items to apply it (service contracts-country of origin). At CERN no mechanism if targets not reached.
- Important: try to keep flexibility in rules/procedures

Conclusion : Cheapest compliant vs BVFM

- 50 years of experience with cheapest compliant. Positive feeling for supply contracts but requires very good specifications.(built-to-print specs). Cheaper (price, cost?) but increased responsibility for buyer. Transparent adjudication.

Cheapest compliant not realistic for Service Contracts.

Pushes the prices too much down. Not sustainable on the long run for the companies. BVFM: More responsibility on the bidder. Improved offers. Price level more realistic.

- BUT: More subjectivity therefore a lot of effort in determining quality criteria and weights. No realignment possible, therefore only solution, to have country of origin as one of the quality factors.



Thank You!