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Proposed revisions of the Procurement Rules

23rd ILO Forum Meeting, 21 March 2023

1 – Thresholds

	Thresholds at CERN
Competitive tender subject to FC approval	750 000 CHF
Single source subject to FC approval	200 000 CHF
MS/IT required as from	200 000 CHF
Price enquiry (DO) handled by the Procurement Service as from	5 000 CHF
3 bids required as from	5 000 CHF
Users can make their own orders	< 1 000 CHF

These thresholds were established in:

- 1965: FC prior approval required for adjudications > 750 000 CHF
 - 1978: FC prior approval required for single source > 200 000 CHF
- => No revision since then



1 – Thresholds

Benchmark with other organisations (for the purpose of this exercise, 1CHF = 1EUR)

	CERN	EMBL	ESA	ESO	ESRF	ESS	F4E	ILL	ITER	SKAO
Competitive tenders subject to FC approval (or equivalent)	750k	1M	2M*	500k	500k	NA	20M	500k	2.5/ 5M**	500k
Single source subject to FC approval (or equivalent)	200k	1M	2M*	250k	500k	NA	20M	500k	1M	250k
MS/IT required as from	200k	As needed	As needed	150k	50k	As needed	2M	25k	As needed	200k
3 bids required as from	5k	12.5k	10k	5k	8k	25k	17k	10k	10k	10k

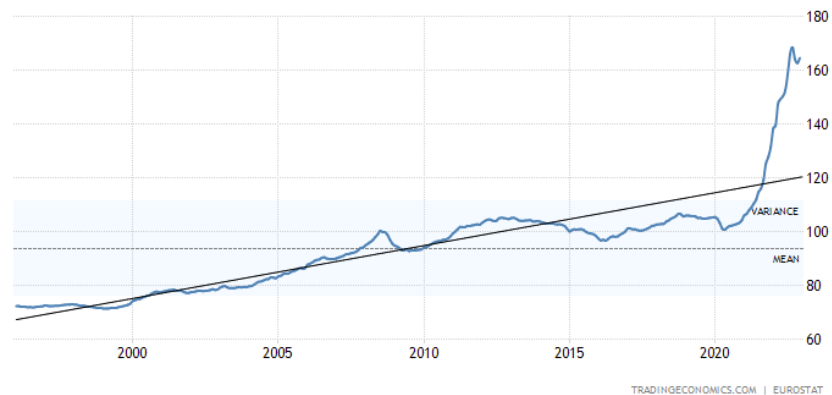
* 4 different thresholds depending on the supply (studies, technological programmes, non-MS, other contracts). The thresholds mentioned here refer to 'other contracts'.

** Construction contracts



1 - Thresholds

Evolution of EU producer prices (Eurostat):



CERN's Cost-Variation Index (CVI) for materials:

CERN	1965	1978	2020	2023
CVI (materials) variation factor	1.0	1.5	2.4	2.9

Consequences:

- Increased workload for orders >5kCHF
- Disproportionate workload (and duration) for vendors for medium-size contracts (MS-IT), therefore reducing competition
- Additional administration/verification for IPT / Delegates

*date when the CVI was created

1 - Thresholds

Proposal

CERN	Current	2023*
Competitive tenders subject to FC approval	750 000	1 500 000
Single source subject to FC approval	200 000	400 000
MS/IT required as from	200 000	400 000
3 bids required as from	5 000	10 000
Users can make their own orders	1 000	2 000

*Note: the level of visibility of ILOs on PEs as well as reporting would remain unchanged.



2 – Extended Limited Tendering (ELT)

Situation

LT is a powerful tool, but with some risks (lack of competition, potentially high prices, etc.)

Proposal

Have an option for Extended LT open to VPBMS+PBMS with an industrial return $<0.5/0.6/0.7$ in order to support PBMS with an industrial return close to 0.4

Advantages	Drawbacks
More business for PBMS	Less business for VPBMS*
ELT would be used more often	
More competition – potentially lower prices	

*Consequence: A revised alignment mechanism should be set up together with ELT, giving possibility to VPBMS firms to align (see chapter 3)



Industrial Return (supplies) – 31/03/2023 – 29/02/2024

ELT <0.7	ELT <0.6	ELT <0.5	VPB MS	SUPPLIES		
				Well balanced	Poorly balanced	Very poorly balanced
				AUSTRIA	1.31	
				BELGIUM		0.51
				BULGARIA		0.25
				SWITZERLAND	5.06	
				CYPRUS ²		0.44
				CZECH REPUBLIC		0.82
				GERMANY		0.91
				DENMARK		0.36
				ESTONIA ²	1.02	
				SPAIN		0.71
				FINLAND		0.53
				FRANCE	1.25	
				UNITED KINGDOM		0.41
				GREECE		0.63
				CROATIA ¹		0.58
				HUNGARY	1.41	
				ISRAEL		0.21
				INDIA ¹		0.39
				ITALY	1.31	
				LITHUANIA ¹	1.09	
				LATVIA ¹		0.68
				NETHERLANDS		0.78
				NORWAY		0.41
				PAKISTAN ¹		0.56
				POLAND		0.74
				PORTUGAL		0.78
				ROMANIA		0.74
				SERBIA		0.43
				SWEDEN		0.61
				SLOVENIA ²		0.83
				SLOVAKIA		0.86
				TÜRKIYE ¹	1.17	
				UKRAINE ¹		0.29

LT
= 5 VPBMS

If ELT up to 0.5
= 4 additional PBMS
concerned

If ELT up to 0.6
= 8 additional PBMS
concerned

If ELT up to 0.7
= 11 additional PBMS
concerned

3 – Revised alignment mechanism

Situation

Alignment is a powerful tool, which applies in rare cases (8 cases in 2018, 7 in 2019, 3 in 2020, 5 in 2021, 2 in 2022, corresponding to ~2.5% of all PE/ITs)

Proposal

Introduce an alignment mechanism between VPBMS and PBMS, allowing VPBMS to align on PBMS prices (provided they are still within the 20% range)

Advantages	Drawbacks
Additional opportunity for VPBMS to improve their industrial return, regardless the procedure	Additional complexity for vendors and IPT
Allows the introduction of ELT	

*Note: 3-levels alignment was accepted by FC for the DUNE project (PBMS, WBMS, Non-MS).



4 - Use of BVFM for supplies

Benchmark

	CERN	EMBL	ESA	ESO	ESRF	ESS	F4E	ILL	ITER	SKAO
Adjudication methodology	- LC (supplies) - BVFM (services) + supplies with FC prior approval	-LC (supplies) -BVFM (services, and supplies if relevant)	BVFM	-BVFM (>10k) -LC (<10k)	BVFM	-BVFM -LC (if relevant only)	-BVFM -LC (if relevant only)	BVFM	-BVFM / LC	-BVFM (>200k) -LC/BVFM (<200k)

Situation

- CERN is the only entity that cannot opt for BVFM for supplies w/o prior approval from its FC-like body;
- BVFM rarely used at CERN, although potentially relevant for consultants, artistic projects, software, sustainability...

Proposal

- Ask FC to approve BVFM awards for a few 'use-cases' (heavy lifting of CMS endcap, Infrastructure as a Service (IaaS), MICE, nearshoring IT development, insurance broker, etc.) and report on the results;
- In case of BVFM, an alignment mechanism should be used (supplies only).



4 - Use of BVFM for supplies

Examples of criteria that could be applied to evaluate the bids :

Criterion	Weight
Price (inc. all relevant costs)	XX
Quality	XX
<ul style="list-style-type: none">▪ Performance of the supply▪ Past references▪ Flexibility of the ordering scheme▪ Faster delivery time▪ Quality of the proposed operations▪ Sustainability (energy consumption, lifetime, demountability, etc.)▪ Warranty period▪ License conditions▪ Etc.	
TOTAL	100



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Thank you

Scoring and selection criteria at MS stage

Architectural and consultancy services for Bg 140

Architectural design competitions are common practice in architecture and construction tendering processes

→ compensation fees are paid to encourage competition, creativity and quality of bids and an initial vision of the potential design

Lessons learnt from MS/IT-4777 for architectural and consultancy services for B.777:

- 32 replies to MS, 15 firms selected to submit a bid, 12 bids received
- Bidders ranked 2 to 6 will receive a compensation fee of 40kCHF each, the remaining 6 will not receive anything

→ To limit the burden on firms preparing a Bid design, submitting their bids and the amount of the total compensation fee distributed amongst them, it is proposed to **limit the number of firms invited to submit a bid to 8 using the following criteria**



Criteria (two-part qualification questionnaire)

I. ELIGIBILITY criteria:

- General (administrative situation)
- Size and Financial Capacity
- General Experience

Minimum
thresholds /
Yes-No questions

II. SELECTION criteria (scored questions):

- Specific experience (*e.g. International projects, Competitions for public clients*)
- Project references (3 projects similar in scope and complexity, including a narrative about relevance of the selected projects)
- Sustainable design reference project (including provision of Sustainable Building Certificates)
- Resources capacity (areas of expertise, experience, education)
- Reference Checks

Indicative weights:

(10)

(40)

(20)

(20)

(10)

TOTAL

100





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Back-up slides

FC papers over the last 5 years

	Nb over 5 years	Yearly average nb	Percentage	Cumulated percentage
<750kCHF	22	4.4	9.6%	9.6%
750kCHF to 1MCHF	8	1.6	3.5%	13.2%
1MCHF to 1.5MCHF	35	7	15.4%	28.5%
1.5MCHF to 2MCHF	17	3.4	7.5%	36.0%
2MCHF to 2.5MCHF	18	3.6	7.9%	43.9%
2.5MCHF to 3MCHF	20	4	8.8%	52.6%
3MCHF to 4MCHF	16	3.2	7.0%	59.6%
4MCHF to 5MCHF	22	4.4	9.6%	69.3%
>5MCHF	70	14	30.7%	100.0%

