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ILO Training Day – September 2018

Procurement Rules, Procurement Procedures and Organisation of the Procurement Service

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ILO Training Day 2018

IPT-PI Rules, Procedures & Organisation

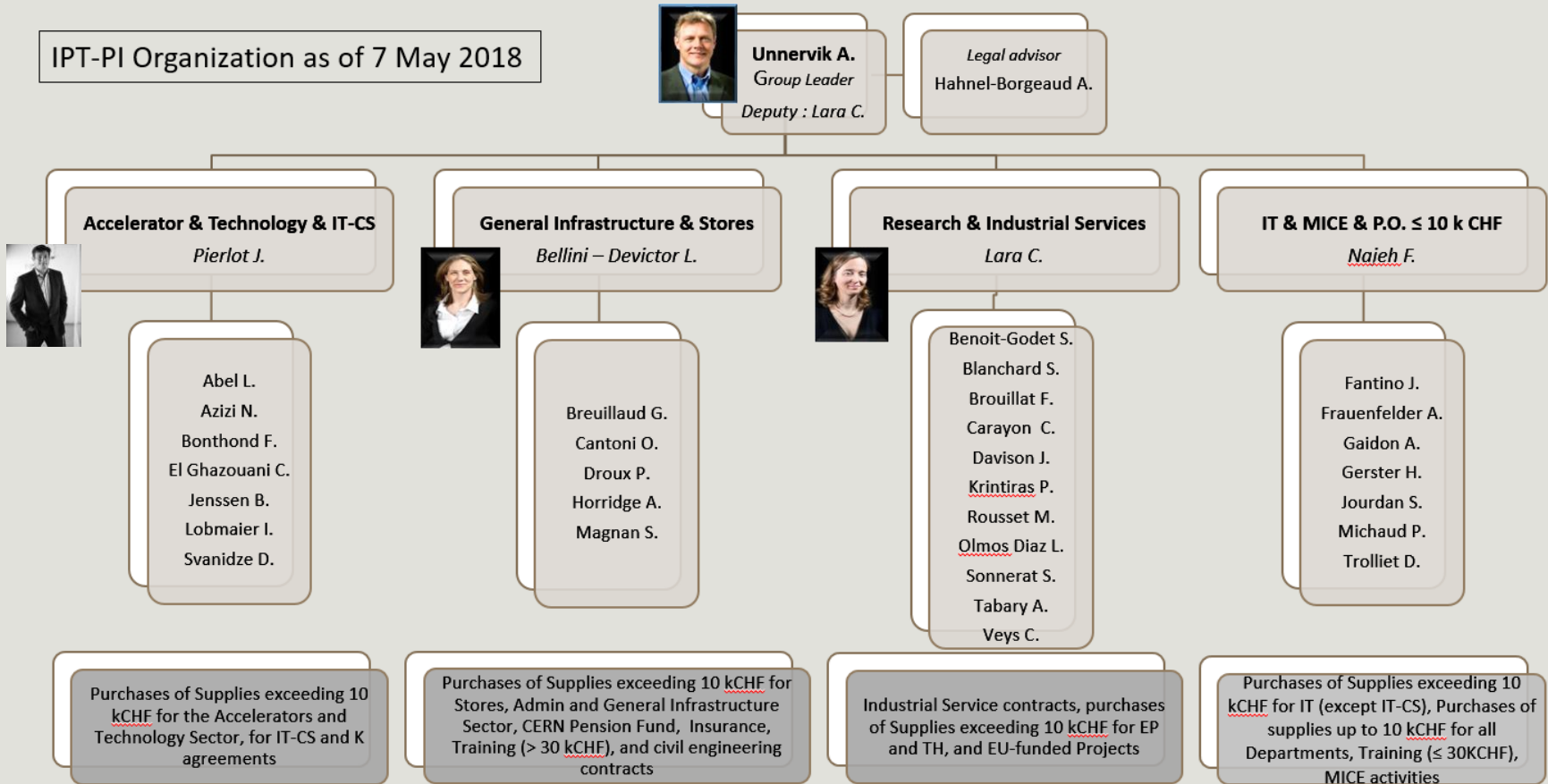
Overview:

- Group members and organisation
- Mission statement, principles and typical spend
- Applicable procurement procedures
- Documentation
- Proposing firms
- Country of origin
- Basis of award
- Improving Industrial Return
 - CERN – ILOs – Suppliers
 - Alignment
 - Organising industrial exhibitions at CERN
- Impact reports on contracts with CERN
- Successful bidders and contractors



The Procurement Service (PS)

IPT-PI Organization as of 7 May 2018



➤ [Procurement Contacts](#)



Legal Framework

- CERN, an Intergovernmental Organization, was established in July 1953, by the “Convention for the establishment of a European Organization for Nuclear Research”.
- As an Intergovernmental Organization, CERN is not a legal entity under national law but governed by public international law.
- CERN benefits from immunity from national jurisdiction and execution. Thus, legal disputes between CERN and its suppliers and contractors are not submitted to national courts but solved via international arbitration.
- CERN is thus entitled to establish its own internal rules necessary for its proper functioning, such as the rules under which it purchases equipment and services.

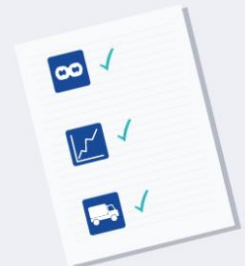


Mission statement and commitment

Mission

- The PS procures all supplies and services for CERN,
- Meeting the specified and contractual technical, delivery and performance requirements,
 - At the lowest possible overall cost,
 - While achieving balanced industrial return for CERN member states and
 - Respecting CERN Procurement Rules.

Procurement strategy
and policy



Procurement Principles

- CERN purchases supplies and services and awards contracts in compliance with the principles of *transparency* and *impartiality*
- **Limited to firms established in the Member States.**
- Invitation to tender documents are drafted in an *objective* way so as to guarantee *fair competition*
- As a rule, CERN's tendering procedures are *selective* and do not take the form of open invitations to tender or price enquiries
- The opening, negotiation and evaluation processes of the bids are *strictly confidential*
- **Award basis:**
 - Is either the lowest compliant; or
 - Represents the best value for money (for services).





Contributions due for the Current Year (2018)

Member States Contributions Including countries whose status is either *Member State*, *Candidate for Accession*, *Associate Member State* or *Associate Member State in the pre-stage to Membership*.

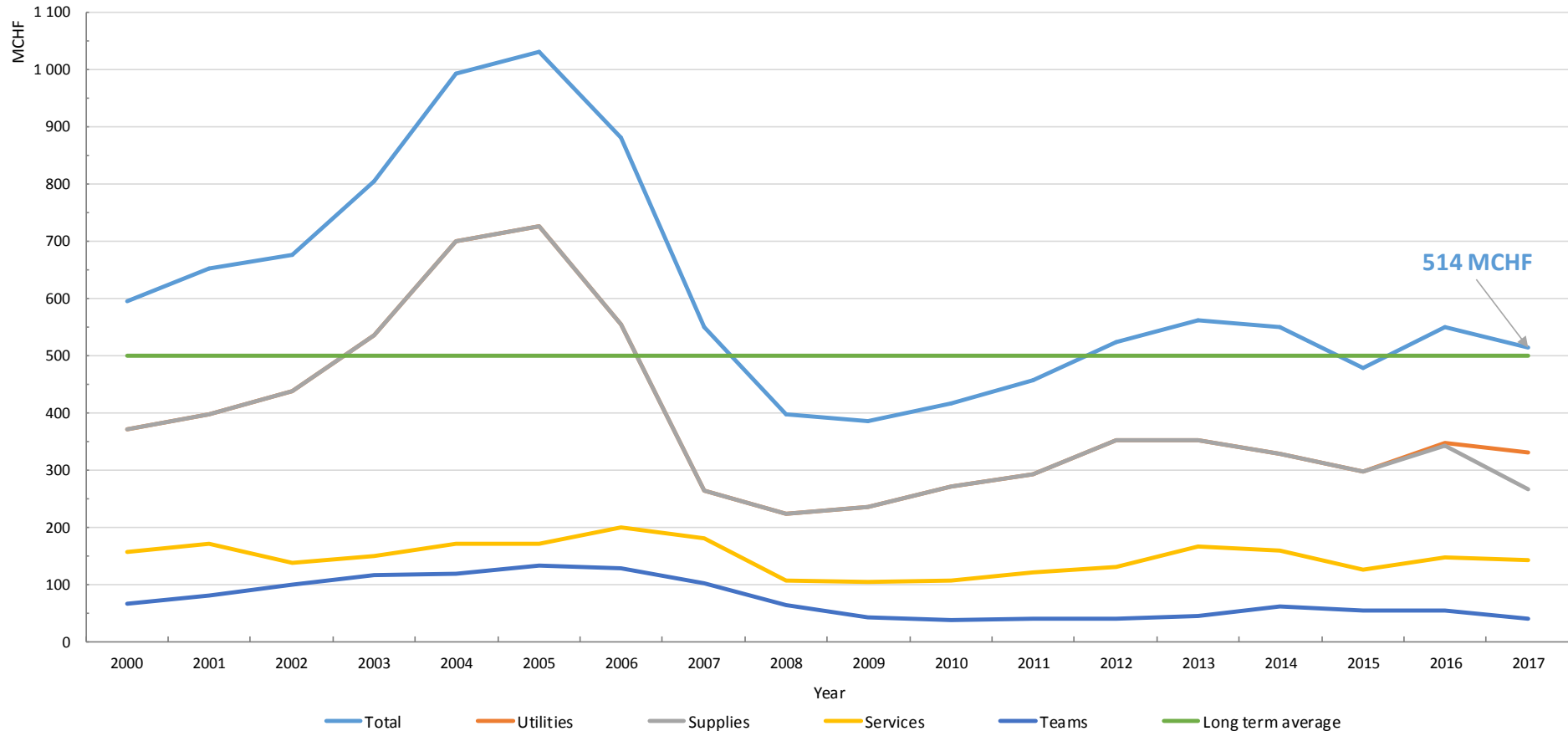
Country	Percentage of Total	Amount (CHF)	Country	Percentage of Total	Amount (CHF)
Germany	20.10%	230 756 250	Greece	1.09%	12 567 300
United Kingdom	15.49%	177 879 750	Portugal	1.08%	12 367 300
France	13.81%	158 547 200	India*	1.07%	12 272 050
Italy	10.20%	117 105 900	Romania	1.00%	11 482 650
Spain	6.89%	79 073 450	Czech Republic	0.91%	10 475 650
Netherlands	4.51%	51 751 300	Hungary	0.60%	6 868 150
Switzerland	3.94%	45 193 300	Turkey*	0.49%	5 619 000
Poland	2.76%	31 654 200	Slovakia	0.48%	5 482 000
Norway	2.65%	30 434 150	Bulgaria	0.29%	3 286 800
Belgium	2.65%	30 392 150	Serbia**	0.17%	1 920 100
Sweden	2.63%	30 199 200	Pakistan*	0.13%	1 502 400
Austria	2.10%	24 091 850	Cyprus**	0.09%	1 000 000
Denmark	1.76%	20 239 450	Lithuania*	0.09%	1 000 000
Israel	1.58%	18 129 350	Slovenia**	0.09%	1 000 000
Finland	1.30%	14 946 350	Ukraine*	0.09%	1 000 000
			Total	100%	1 148 237 250

* Associate Member State ** Associate Member State in the pre-stage to membership



Evolution of expenditure

Procurement Expenditures 2000 - 2017

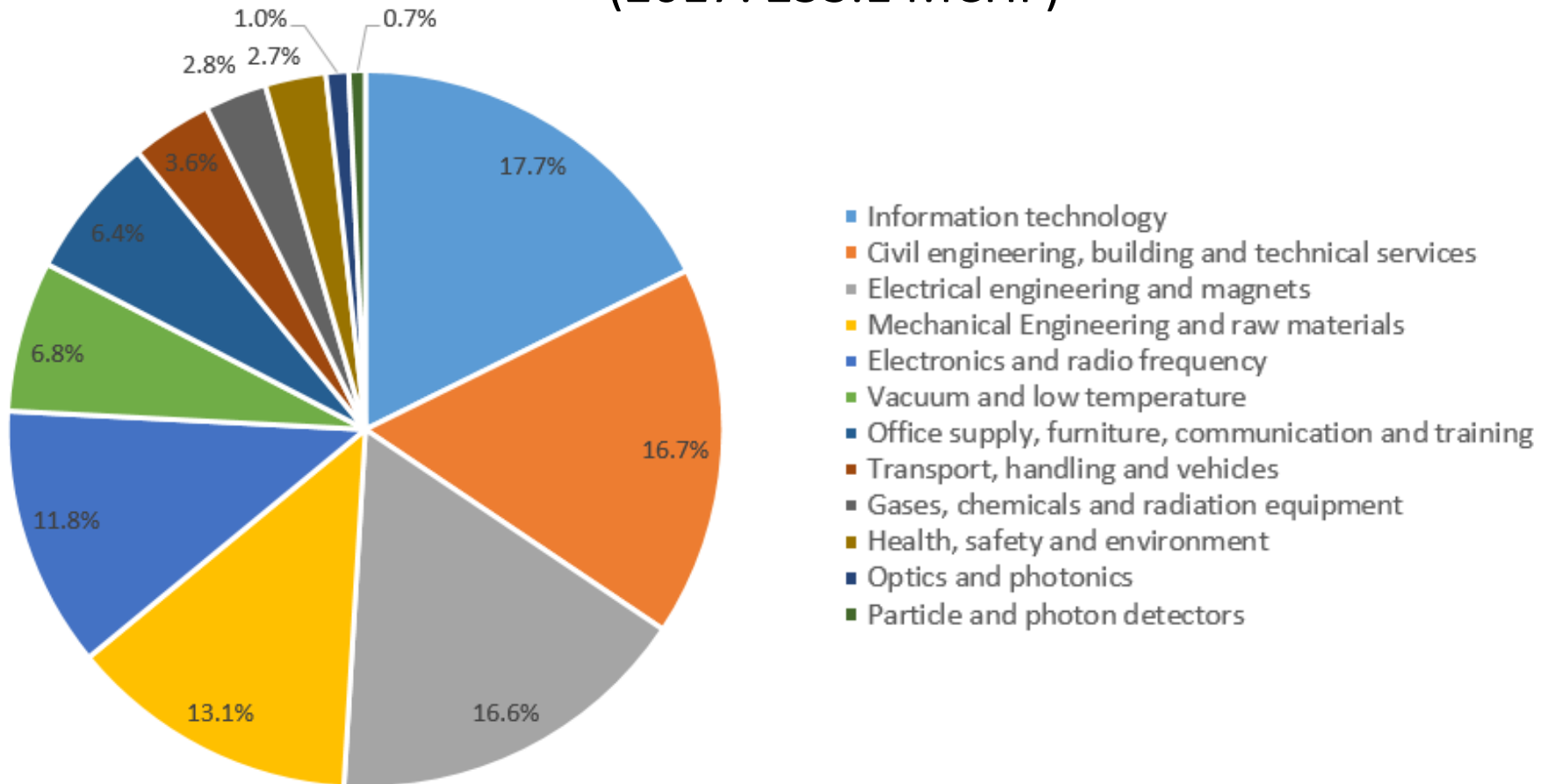


514 MCHF



What we buy

Payment and outstanding commitments for **Supplies**
(2017: 253.1 MCHF)



Procedures for obtaining offers

- **Requirements < 10'000 CHF**

Users may issue enquiries directly provided CERN procurement rules are followed

- **Requirements > 10'000 CHF and < 200'000 CHF**

Price Enquiries ('DO') issued by Procurement Service

- **Requirements > 200'000 CHF**

Announcement, Market Surveys
& Invitations to Tender



Price enquiries 'DO' (10-200 kCHF)

- Guideline to invite **3-5 firms**
- >50 000 CHF sent to ILOs for information and opportunity to propose firms
- Adjudication based on lowest compliant offer (FCA price), subject to the alignment rules aimed at achieving well balanced industrial return coefficients for the Member States (from 100 000 CHF)



Requirements >200 kCHF

Market Survey followed by a Call for Tenders:

- Announcement in the document *“Advance information on Forthcoming Market Surveys and Invitations to Tender expected to exceed 200'000 Swiss francs”*;
- Market survey;
 - brief technical description (1-2 pages)
 - qualification questionnaire

Current Market Surveys available on Procurement Service home page

<https://found.cern.ch/java-ext/found/CFTSearch.do>

Type of Contract	Reference	Requirement (Activity Code)	Description/Specific Condition	Cost Range	Market Survey scheduled for dispatch	Contacts and Interest in being contacted	Market Survey Documents	Invitation to Tender scheduled to dispatch
Supply	IT-3454/IT	Provision of external printshop activities (878)	Description: Writing of scientific publications and official CERN committee documents. Currently these services are provided in-house. This Market Survey is intended to study the feasibility of acquiring these activities from an external supplier. Specific Condition: Interested firms must have the ability to react quickly to requests, have a short turn-around of high priority jobs and fast delivery of orders to CERN and must be able to accept the electronic submission of documents.	B	September 2010	To be contacted send the attached form by an e-mail to purchasing.service@cern.ch Technically: N. Pocock Commercially: S. Sonnerat	No documents available	December 2010
Supply	IT-3675/GS	Supply of equipment and services for the access control systems and video surveillance for the CERN Site supervision (SUS) (878)	Description: The contract shall include the supply and installation of access control and video surveillance systems for all CERN sites, including access to buildings and specially secured areas. The areas concerned do not include the accelerator interlocked areas. The access system must be based on Oracle databases, RFID technology & TCP/IP networking and open protocols for integration of card readers. The video surveillance system must be able to manage analogue and digital IP-based video surveillance cameras from multiple manufacturers. Specific Condition:	C	September 2010	To be contacted send the attached form by an e-mail to purchasing.service@cern.ch Technically: S. Nunes Commercially: J. Lobmaier	No documents available	November 2010

HL-LHC “Shopping list”



HL-LHC Industry
Industry Relations and Procurement Website for the HL-LHC project

Search this site

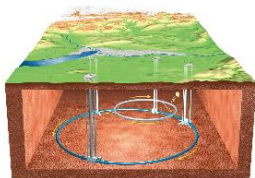
- Home
- General Info
- Procurement Overview
- Tendering
- Acquisition Timeline
- Events
- Contact

Building the HL-LHC with the Industry

The HL-LHC Industry Website has been specially designed for all those firms that wish to participate in this ambitious project. We want to share all the relevant information related to the procurement that will be required to accomplish this major upgrade of the LHC.

The industry will have a crucial role and will be heavily involved within the HL-LHC Project since it will be the main source to provide the technologies and equipment that are required to successfully achieve the goals of this upgrade of the LHC.

The HL-LHC will collaborate with many types of industries and businesses to pursue its goals. Knowledge and technology to be developed during the HL-LHC project will make a lasting impact on society.



ILOS
[ILOS Portal](#)

HIGHLIGHTS
10 Mar 2016
[HL-LHC is now part of the ESFRI Roadmap](#)
The 2016 Roadmap highlights the strong socio-economic impact of research infrastructures as well as their potential to generate innovation through collaboration with industrial partners.
[More information on the ESFRI Roadmap 2016](#)

8 Feb 2016
[QUACO Open Market Consultation](#)
CERN, as member of the European pre-competitive procurement (PCP) instrument QUACO, is pleased to invite you to the Open Market Consultation (OMC) that will take place on 30th

Main Domains of Activity - HL-LHC Project

Work Packages

Cryogenics systems	WP9
Magnets components and assemblies	WP3, WP11
Electrical equipments, electronics & instrumentation for accelerators	WP4, WP5, WP6A, WP6B, WP7, WP13
Ultra High vacuum components and systems	WP12
Collimators and new material resistant to high temperatures	WP5, WP8, WP14
Cryostats and subcomponents for cryogenic equipment	WP3, WP4, WP6A, WP9, WP11
High precision assembling and manufacturing technologies	WP4, WP5, WP8, WP12, WP14
Others	WP6A, WP10, WP15, WP16
Raw materials	WP3, WP4, WP5, WP8, WP11, WP12, WP14
Civil engineering and technical infrastructures	WP17

<http://project-hl-lhc-industry.web.cern.ch/content/main-procurement-needs-hl-lhc>



European Organization for Nuclear Research
Organisation européenne pour la recherche nucléaire

Requirements >200 kCHF

Market Survey

- Time for replying, normally 4 weeks, but OK until Invitation to Tender has been issued
- List of firms participating to Market Survey:
 - Firms proposed by Technical Officer
 - Firms registered in CERN's Supplier Database (by Procurement Officer)
 - Firms having expressed an interest
 - Firms proposed by ILOs and Delegations

Invitation to tender

- Time for bidding minimum 4 weeks
- Invite (guidelines)
 - 10 firms for contracts > 200'000 and < 750'000 CHF
 - 15 firms for contracts > 750'000 CHF
- All invitations to tender sent to ILOs for information



Timeline



Note : if **FC approval** needed
(up to +12 weeks)

Typical Procurement Documentation

Market Survey

- *Technical Description*
- *Qualification Questionnaire*

Price Enquiry - Invitation to Tender

- *Tender Form (and annexes if applicable)*
- *Technical Specification (and annexes if applicable)*
- *General Conditions of CERN Contracts*
- *General Conditions for Invitations to Tender*
- *Selection & Adjudication Criteria*
- *VAT & Invoicing Guide*
- *Form of Contract*
- *Price Breakdown (in the case of complex pricing tables / civil engineering)*



ILOs Proposing Firms



Requirements > 50'000 and < 200'000 CHF

- Price Enquiries are issued via CERN's e-tendering platform
- *Reminder*: Guidelines state 3-5 firms to be invited
- Bids **MUST** be uploaded on the platform to be accepted.
- Only firms (persons) having received access right to the platform for the Price Enquiry concerned, from CERN, will be able to upload their bid.
- ILOs must NOT send copies of complete Price Enquiries to firms (Specifications can be sent).
- ILOs should inform the Procurement Service in case new firms are found. In case CERN accepts, the firm will be invited by CERN and receive access to the e-tendering platform.



ILOs Proposing Firms

Requirements > 200'000 CHF

Market Survey

- ILOs are encouraged to send Market Surveys to firms
- No special access rights are required.
- All firms can reply to a Market Survey



Invitation to Tender

- In general, once the Invitation to tender has been issued, new bidders should not be added.
- In exceptional cases, ILOs should inform the Procurement Service in case new firms are found. Firms will be invited to reply to the Market Survey and in case CERN accepts, the firm will be invited to tender by CERN and receive access to the e-tendering platform



Country of origin (1/2)

Supplies

*Country where the supplies (including their components and sub-assemblies) are manufactured or undergo the **last major transformation*** by the contractor or its sub-contractor.*

Services

Country in which the bidder is established.



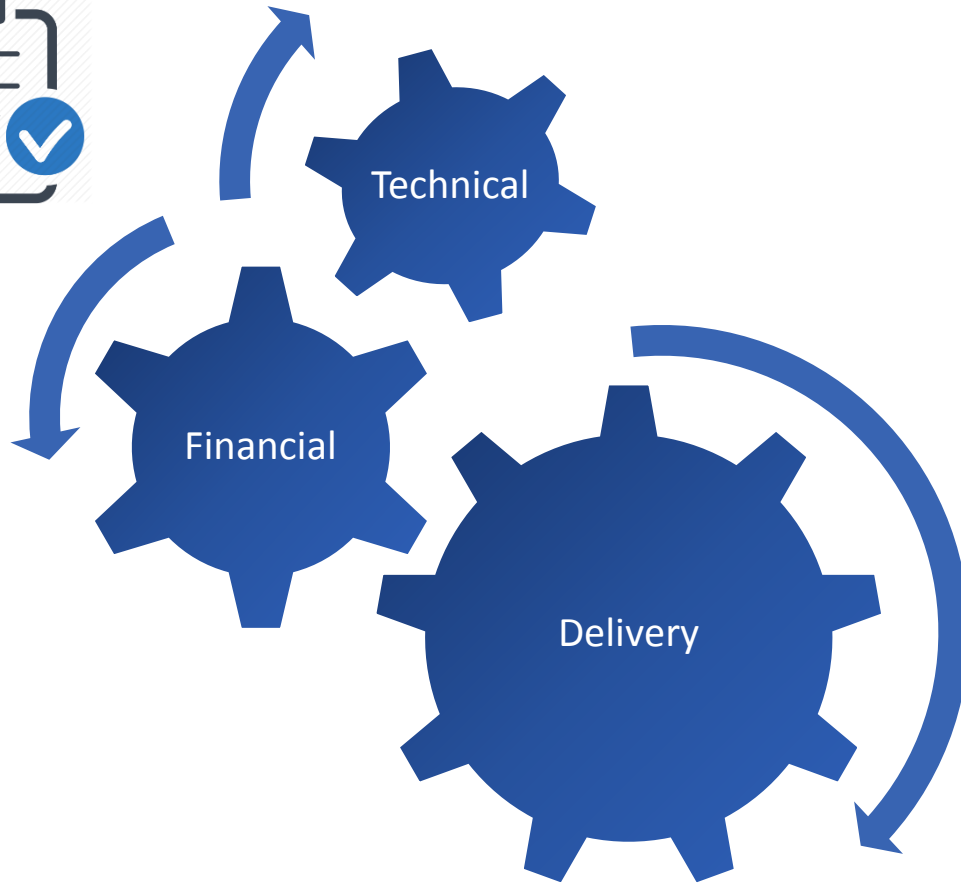
Country of origin (2/2)

‘Last major transformation’ – A regular discussion - Some examples:

- 1) Computers that are **assembled** by Company X in Poland are of Polish origin, despite that fact that the components originate from somewhere else (Taiwan, China, South Korea, Japan, etc...). This is because the end product, the computer, is a “new product” compared to the components. If, however, Company X imported **assembled computers** to Poland and sold them without any real modification, then the country of origin would be the country from which the computer was imported.
- 2) For an order for a cryoplant that is assembled in Denmark but that includes helium compressors purchased by the contractor from a company in France, the country of origin would then be perhaps **60% - Denmark and 40% - France** where the compressors correspond to 40%. This is because the compressors are considered a major subassembly

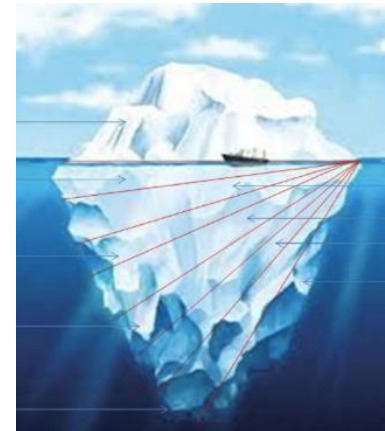


Basis of Award - Supplies



Basis of Award - Supplies

- Check for compliance with technical, financial and delivery requirements in all respects
- Price based on 'Free Carrier' basis (FCA as per Incoterms 2010), i.e.:
 - Without transport costs
 - With packing and loading
- No disadvantage to firms located in distant countries
- However, if the ratio of DAP price ('Delivered at Place' as per Incoterms 2010) of the lowest FCA bid to the lowest DAP bid exceeds 1.10, Supply contracts shall be adjudicated on a DAP basis
- Lowest cost takes into account:
 - Initial investment
 - Operating costs (energy consumption, spares, maintenance, training etc.)
 - Disposal costs
- Abnormally low bid considerations



Basis of Award – Services

Service contracts are typically awarded on a
«Best Value for Money» basis
to the bidder submitting
the most economically advantageous bid

Price // Quality

The diagram shows the words "Price" and "Quality" in a large, bold, orange font, separated by a double slash //. A black arrow points downwards from the word "Price", and another black arrow points upwards from the word "Quality".

Basis of Award – Services

The following criteria and weights will be applied by CERN to evaluate the bids for Service contracts:

Criterion	Weight
Price (inc. all relevant costs)	XX
Quality	XX
<ul style="list-style-type: none">▪ Experience of the key personnel▪ Stability of the personnel▪ External references▪ Technical know-how▪ Technical training▪ Quality of the bid▪ Tests▪ Etc.	
TOTAL	100



Improving Industrial Return



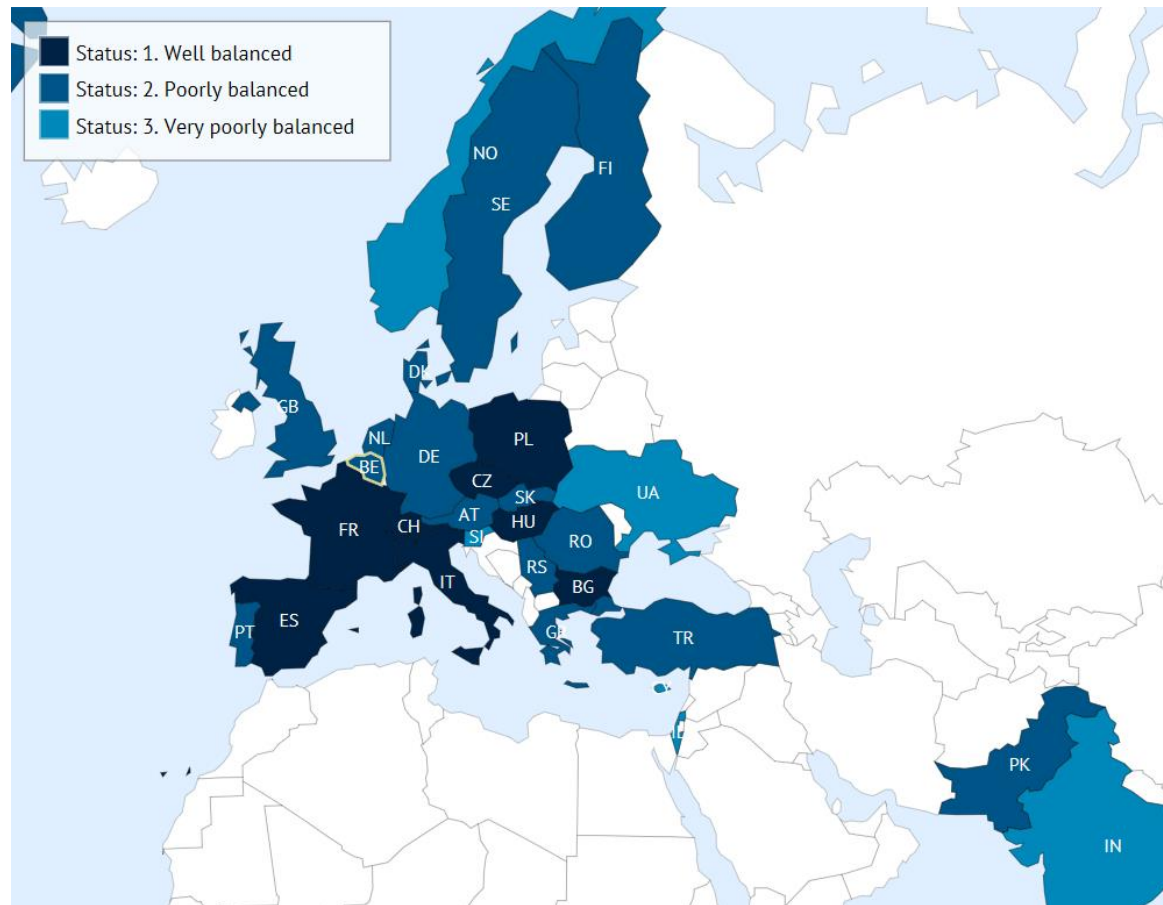
Poorly balanced countries for Supplies

(yearly update - 1st March):

<http://procurement.web.cern.ch/en/industrial-returns-for-cern-member-states>

Well Balanced	Poorly Balanced	Very Poorly Balanced
Bulgaria	Austria	Cyprus*
Czech Republic	Belgium	India*
France	Denmark	Israel
Hungary	Finland	Lithuania*
Italy	Germany	Norway
Poland	Greece	Slovenia*
Spain	Netherlands	Ukraine*
Switzerland	Pakistan*	
	Portugal	
	Romania	
	Serbia*	
	Slovakia	
	Sweden	
	Turkey*	
	United Kingdom	

*Associate Member State



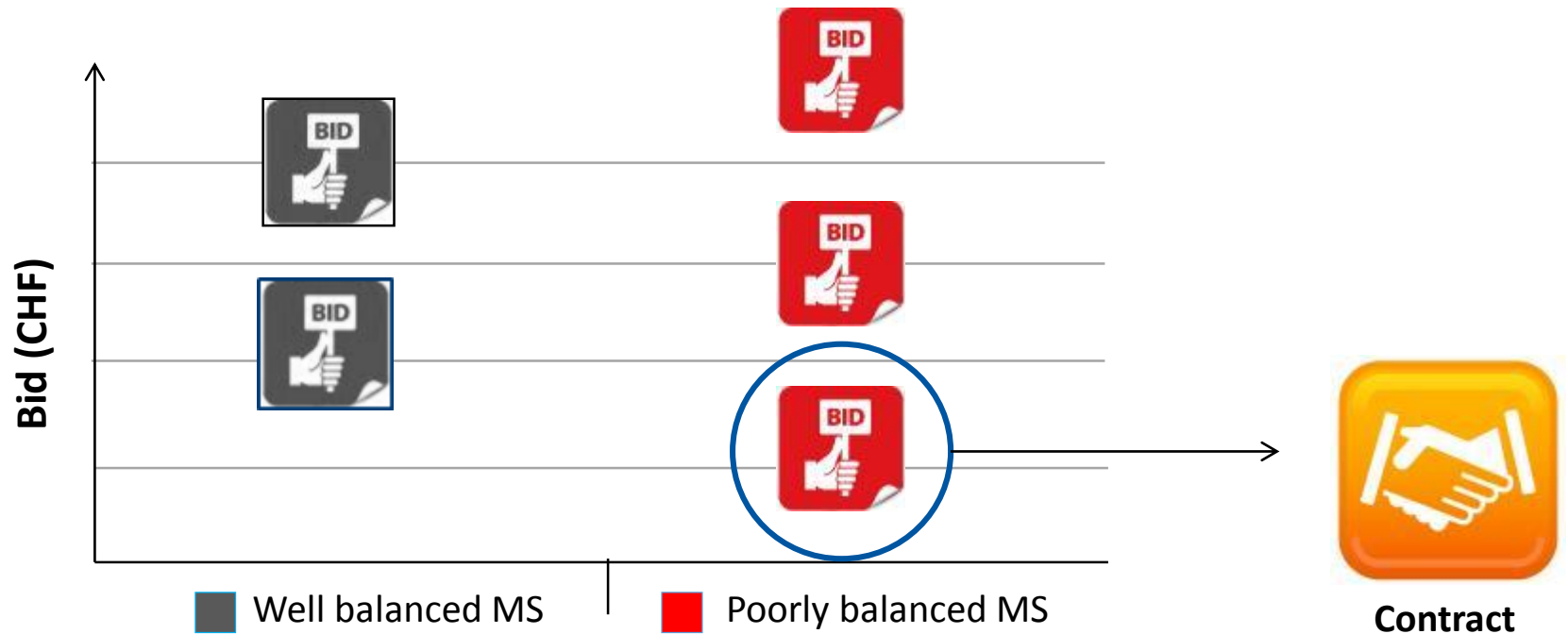
Bids originating from several Member States or submitted by a combination of firms

- In the case of a supply contract, a bid is considered to come from a PB MS if **at least 60%** of the total amount of the bid **originates from a PB MS**
- If this is not the case, the bid shall be treated as that of a firm offering goods from a WB MS



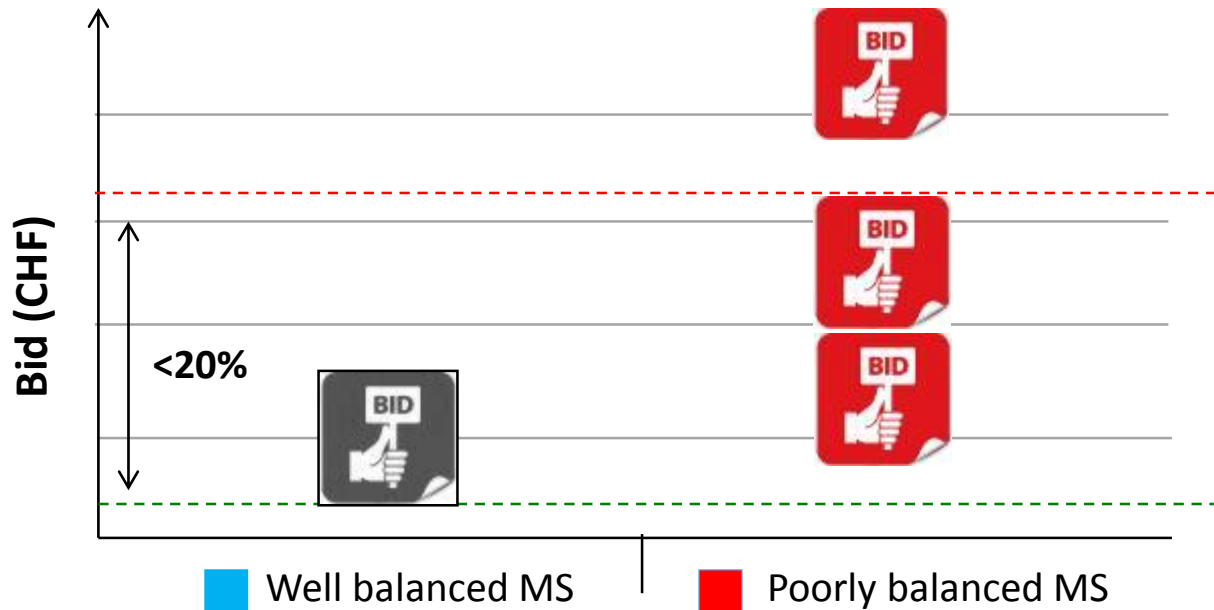
Realignment rule (Scenario 1)

Lowest bid from a PB MS → **contract placed with it**



Realignment rule (Scenario 2)

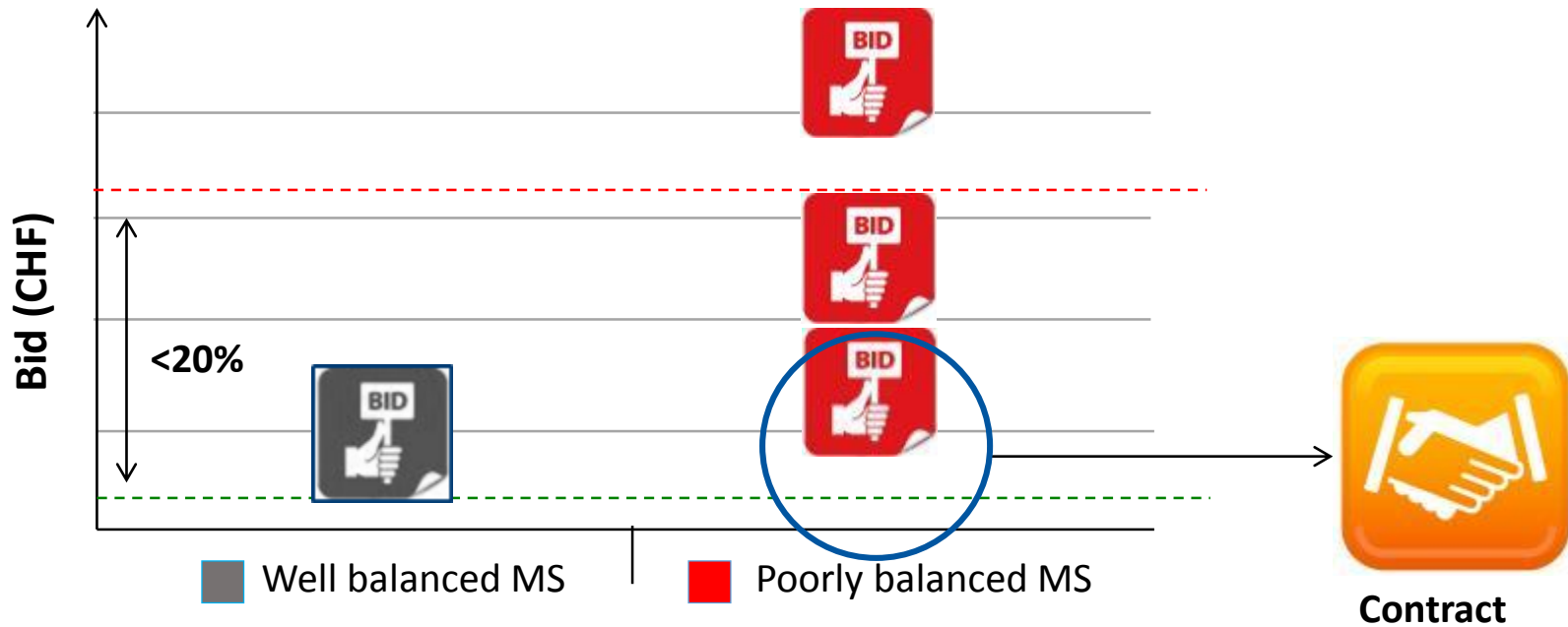
Lowest bid from a WB MS \rightarrow realignment rule applies if bid difference $< 20\%$



Realignment rule (Scenario 2)

Lowest bid from a WB MS

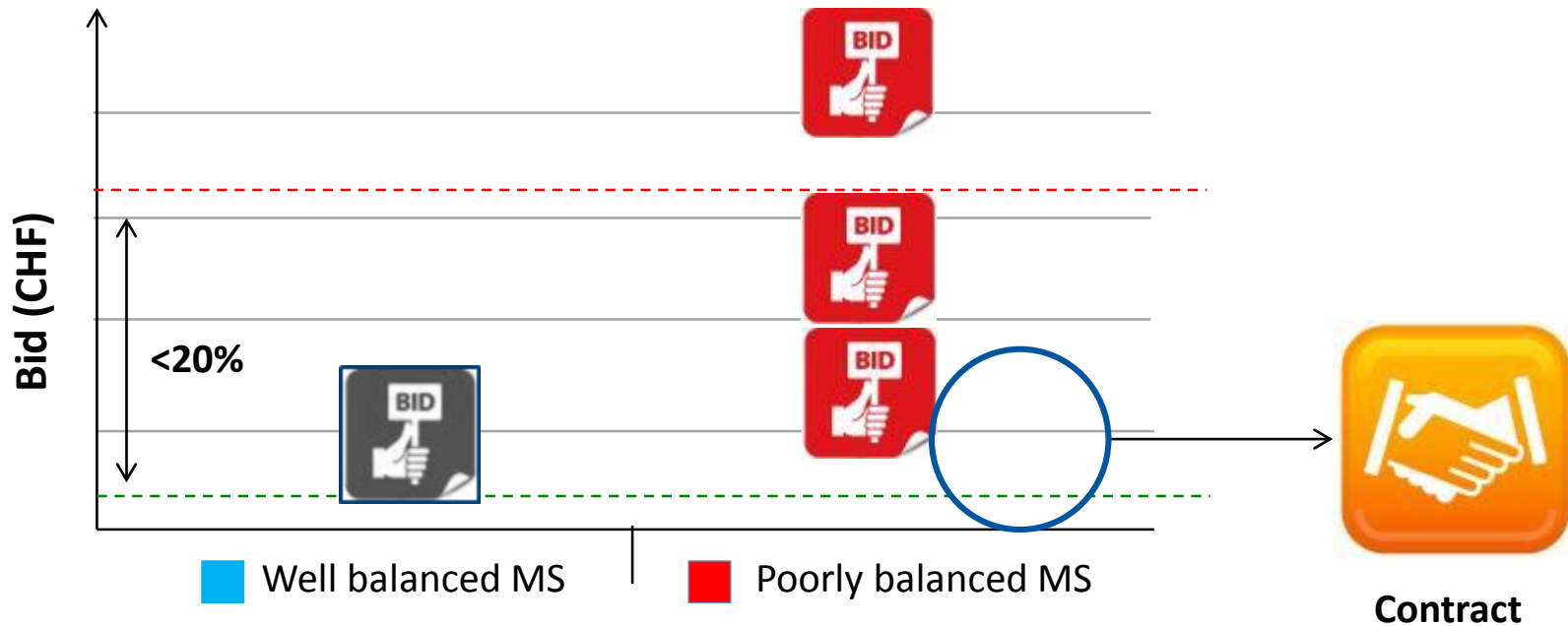
(a) 1st bidder from PB MS aligns → contract placed



Realignment rule (Scenario 2)

Lowest bid from a WB MS

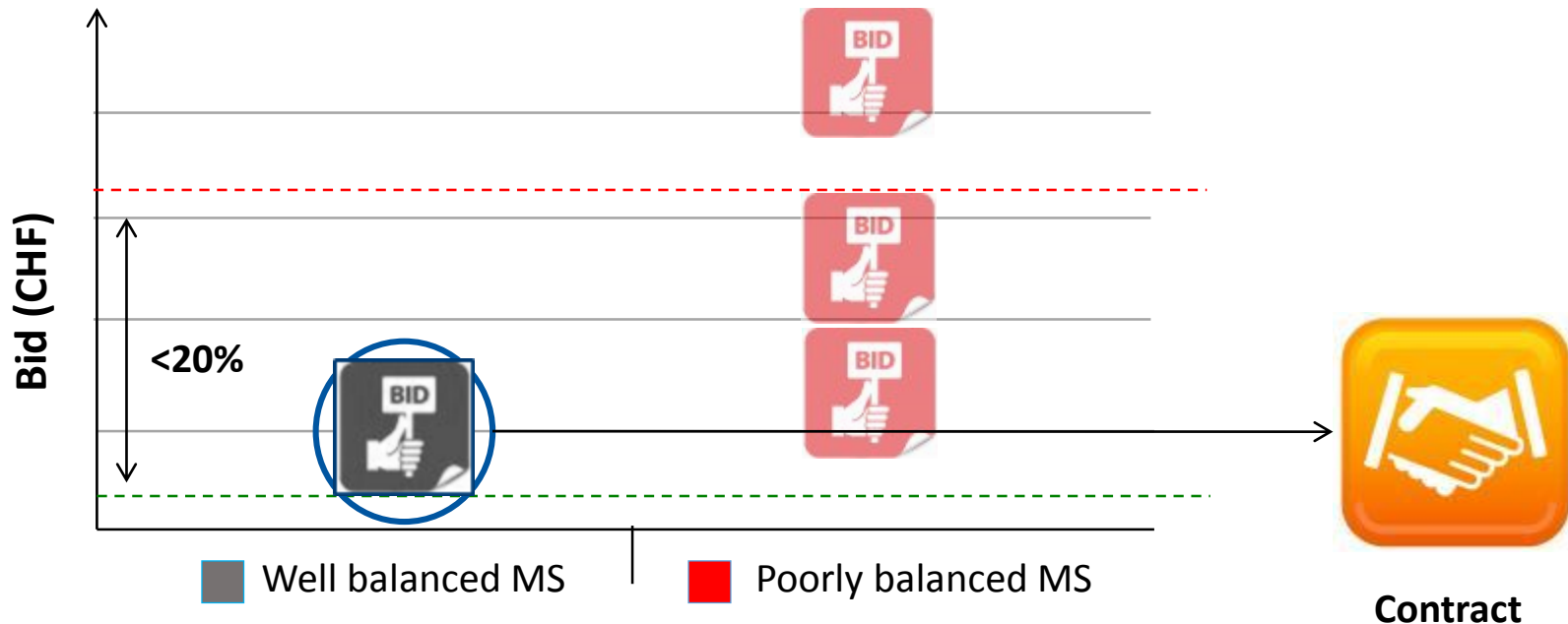
(b) if not, 2nd lowest bidder from PB MS aligns → contract placed



Realignment rule (Scenario 2)

Lowest bid from a WB MS

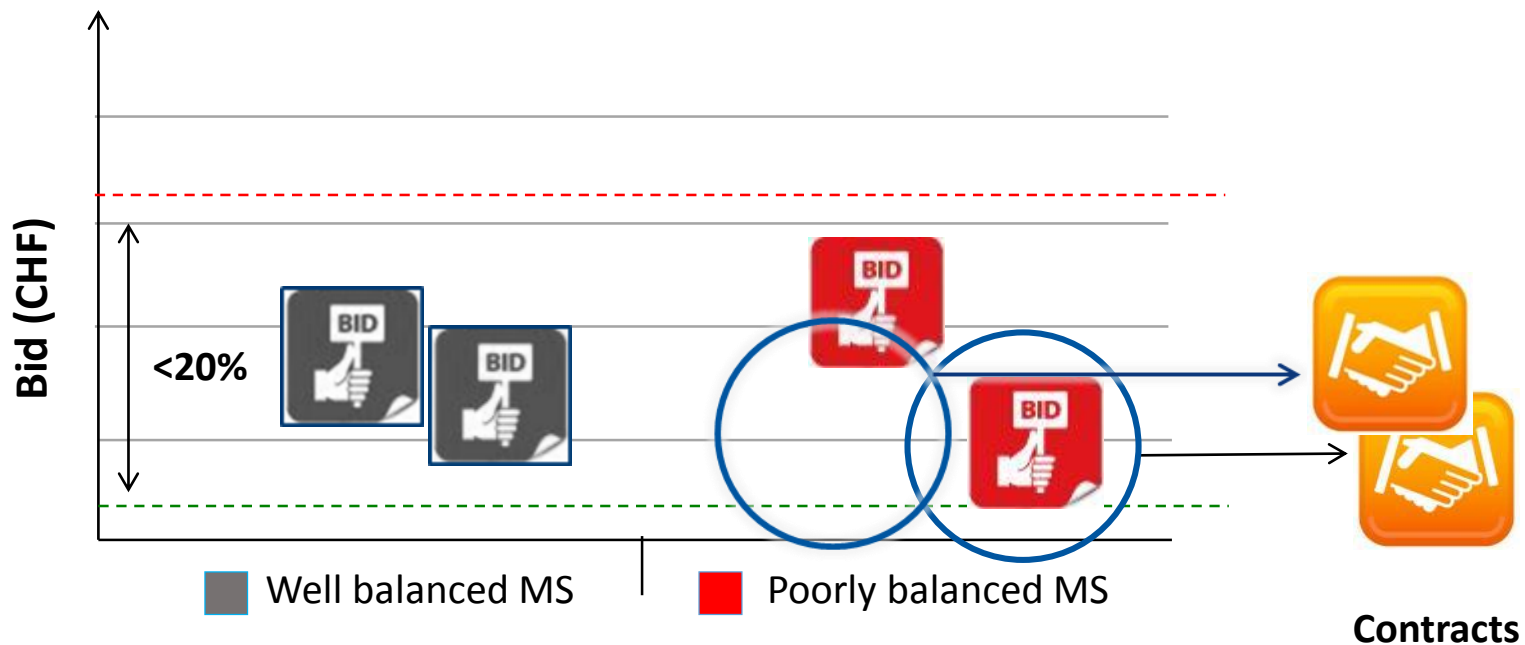
(c) if no alignment, contract placed with lowest bidder from WB MS



Realignment rule, in case of splitting (Scenario 3)

Lowest bid from a PB MS, another bid from a PB MS falls within the 20% of the lowest

bidder from PB MS aligns → **contracts placed with the 2 lowest bids from PB MS**

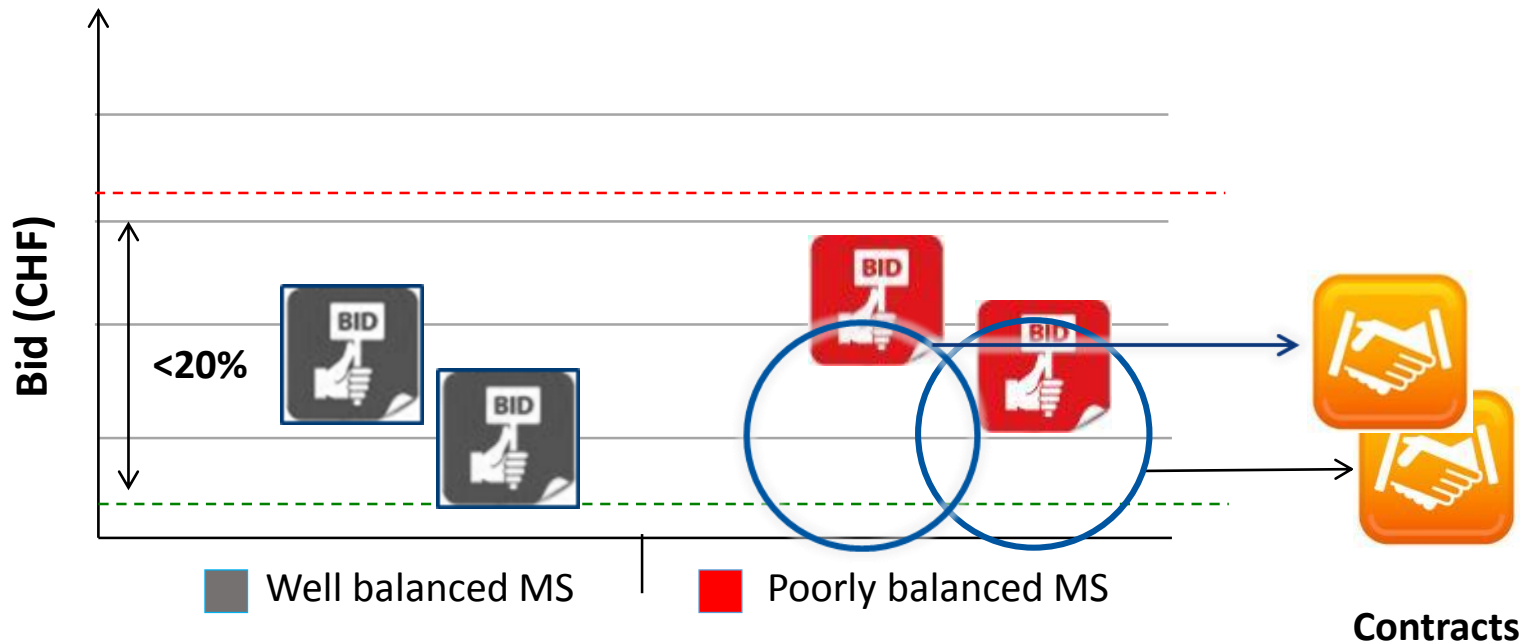


Realignment rule, in case of splitting (Scenario 4)

Lowest bid from a WB MS and 2 bids from PB MS fall within the 20% of the lowest

Both bidders from PB MS align

contracts placed with bids from PB MS

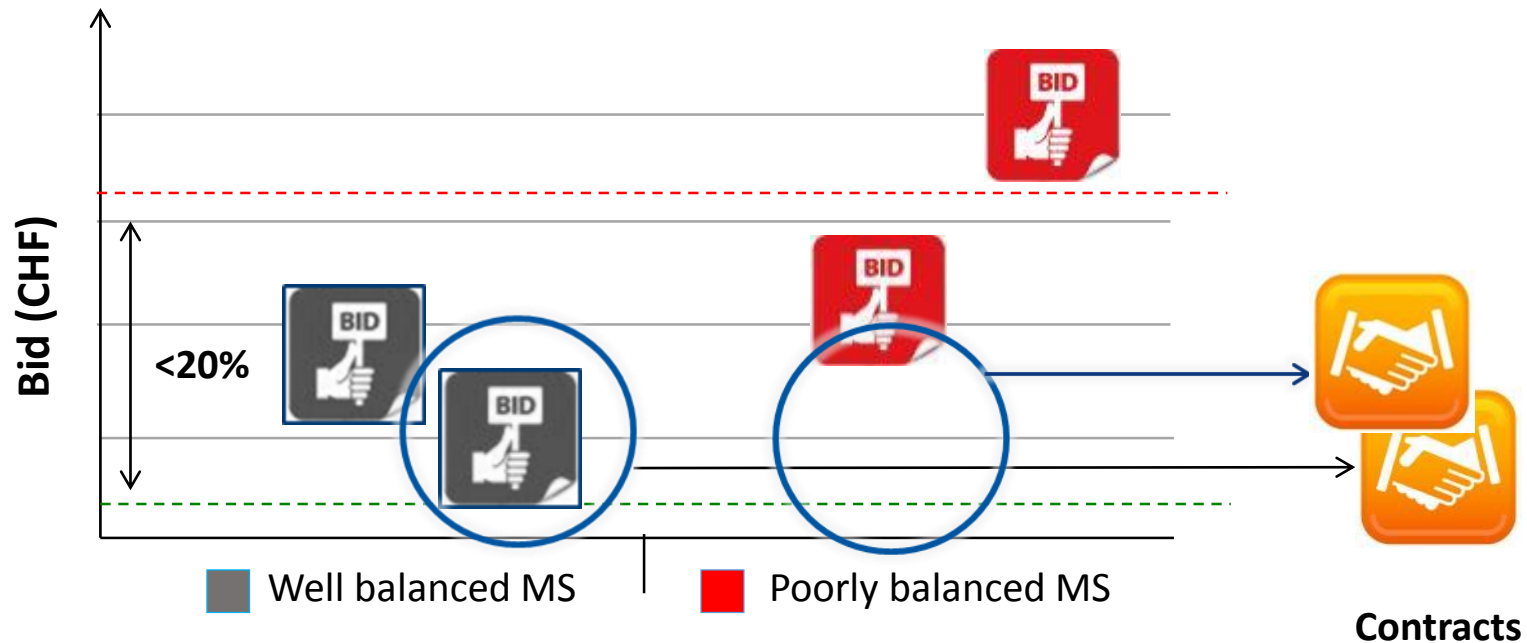


Realignment rule, in case of splitting (Scenario 5)

Lowest bid from a WB MS and a bid from PB MS fall within the 20% of the lowest

Lowest bidder from PB MS align

→ **contracts placed** with lowest bid and the bid from **PB MS**



Improving Industrial Return

And you, as an ILO....?

- Proposing suitable firms from your networks
- Maintaining regular contacts with CERN technical personnel
- Organizing visits
 - In your country
 - At CERN
- Others?

...Let us know your ideas...



Organising Industrial Exhibitions @CERN

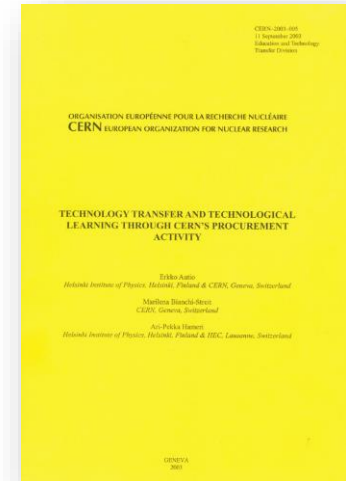
CERN can coordinate:

- For official opening –various services (VIP, Protocol office, etc..), reservations of conference rooms, auditoria..
- Site visits
- Cocktail, lunch...with NOVAE
- Stands, information about safety rules, drawings
- Reservation at CERN hostel
- Preparation of access cards
- Informing internal stake holders about the event (Press office, technical departments, etc..)
- Delivery of packages sent by companies, to the area of the exhibition
- Match making between CERN technical staff, procurement officers and companies



Impact Reports on Contracts with CERN

- 38% had developed new products
- 42% increased international exposure
- 44% improved technological learning
- 52% would have had poorer sales performance without CERN
- 17% opened a new market
- 60% acquired new customers
- all firms had derived great value from CERN as a marketing reference



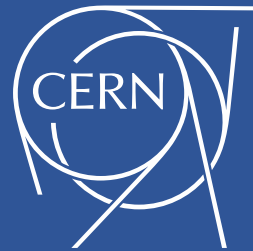
Successful Bidders & Contractors

- Often small – medium sized and **flexible** firms
- Ensure **full** understanding of specifications – **exceeded** specifications may be **too expensive** (adjudication to lowest compliant bid for supplies)
- Communicate with CERN (problems, issues, alternatives, etc.)
- Take into account test requirements and documentation
- Make best offer directly
- Ensure good working relationship with partners and sub-contractors



Thank you and any questions?





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