

COMMON BUYERS GROUPS & COMMON PROCUREMENTS

AN SHORT INTRODUCTION AND MAIN FINDINGS
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M.Sc Sebe Vogel
Rijkswaterstaat- Amsterdam Practical Trial

M: 0031 (0)62 3249346

E: sebe.vogel@rws.nl

W: <https://www.praktijkproefamsterdam.nl/en>

Praktijkproef Amsterdam

SPICE
smart procurement for better transport

Common Buyer Groups Spice Activities

M: 06-23249346 E: sebe.vogel@rws.nl

1. Common Buyers Groups (CBGs) Spice activities

Activity 1: Best Practices D4

- CBG Definition & Forms
- Best Practices

Activity 2: Support Common Buyer Groups D4.2

- Activities june 2017- august 2018: Webinars, Workshops, Individual contacts, Knowledge sharing in brochures and newsletters

Activity 3: Evaluation Report D4.3

- **Benefits and barriers**
- **Recommendations**

Definition & Forms

2. Common Buyers Groups (CBGs) Definition

In SPICE, a CBG is defined as

- a group of two or more procuring authorities
 - working together
 - on common issues concerning procurement of innovative mobility solutions
- CBGs are precarious organisational units highly dependant on the circumstances, timing and the needs of individual procurers
- A first step towards supporting CBGs is taken by acknowledging the barriers and challenges towards forming and maintaining CBGs

Forms of Common Procurement

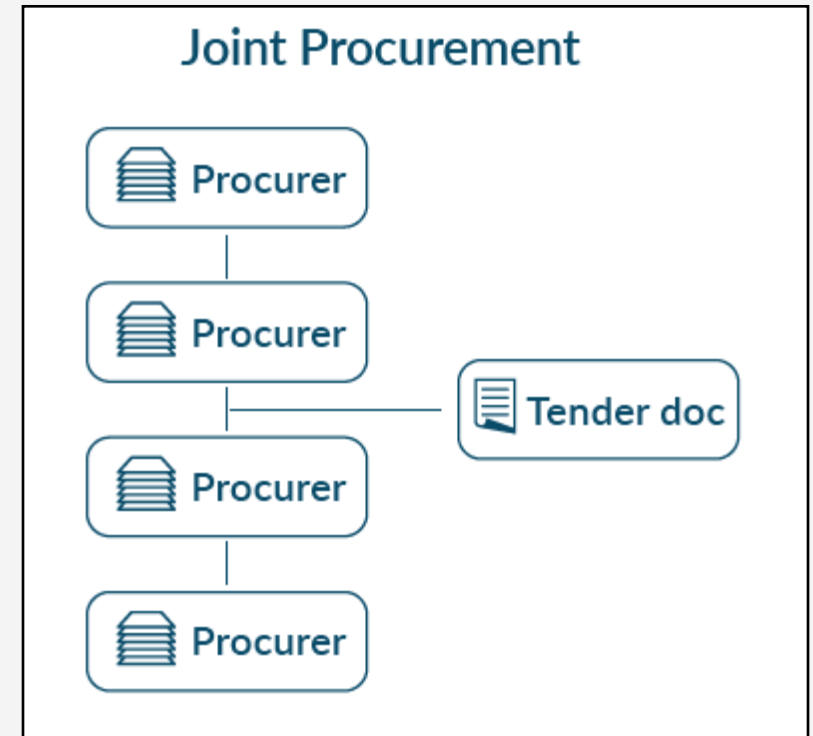
3. Common procurements

Within the context of the SPICE project, the term ‘common procurement’ includes:

- Joint procurement, as defined by the European Commission
- 3 other forms of cooperation between procurers:
 - Central purchasing body
 - Parallel procuring
 - Common specifications

Joint procurement

- A set-up where
 - multiple authorities procure
 - the same solution jointly,
 - based on the same tender and
 - with the same contract with the supplier
- Such cases of 100% joint procurement rarely exist, especially in cross-border procurement, due to various reasons
 - e.g. different procurement rules and practices, different technical solutions needed depending on the existing infrastructure of a city, or the high level of legal complexity



Joint procurement

Strengths:

- Critical economic mass for innovation
- Improved quantity-price ratio
- Harmonisation/standardisation
 - Knowledge sharing
 - Cooperation

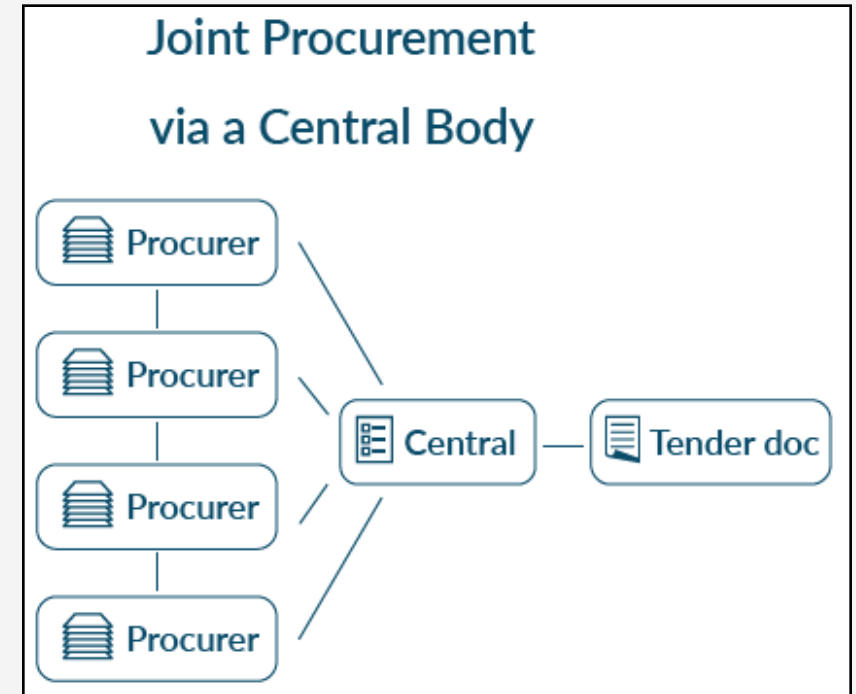
Weaknesses:

- High complex legal issues (particularly cross-border)
- Time-consuming upfront
- Can result in uniform solution
- Vendor lock-in

Central purchasing body

One central organisation is established on a permanent basis which

- arranges the procurement process
- defines the tender documents for a number of contracting authorities (procurers)



Central purchasing body

STRENGTHS:

- Critical economic mass for innovation
- Improved quantity-price ratio
- Harmonisation/standardisation
 - Tendering expertise

WEAKNESSES:

- Uniform solution
- Risk – lack of stakeholder communication
- Vendor lock-in

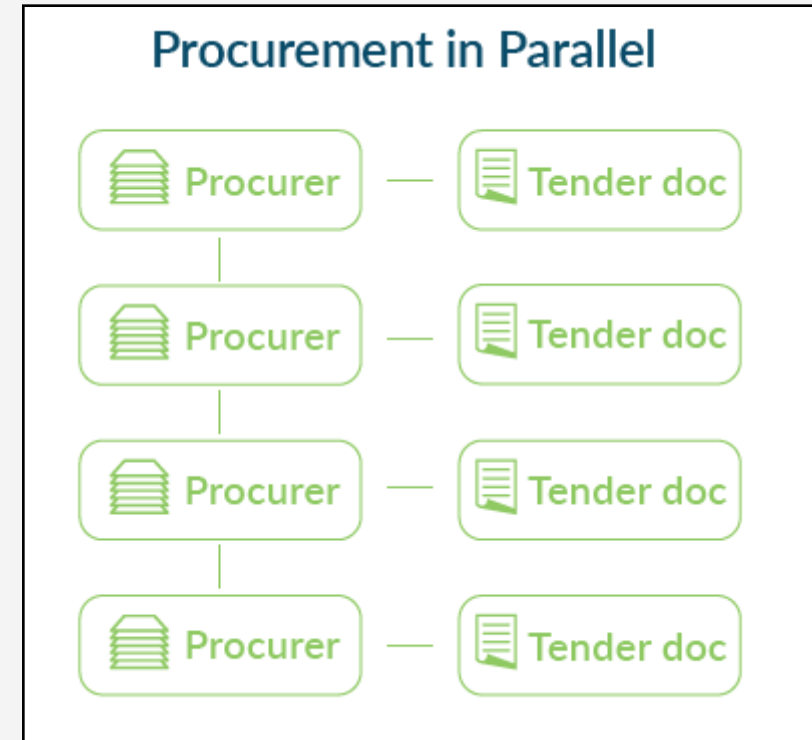
Parallel procuring

Different procurers

- work together as much as possible on common elements in the procurement process

but

- in the end, they will each have their own tender documents and tender process



Parallel procuring

Strengths:

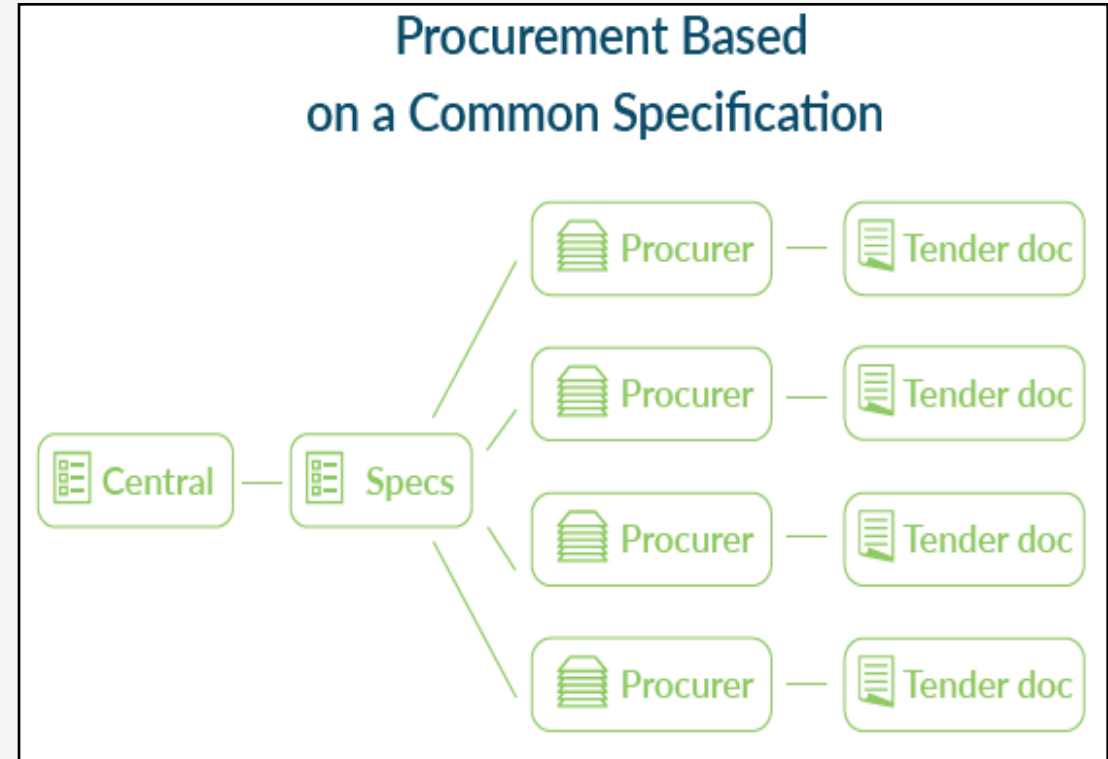
- Offers individual solution
- Lower tendering complexity
- High innovation potential

Weaknesses:

- Higher purchasing price
- Lack of harmonisation
- Lack of trust
- Lack of focus on procurement itself

Common specifications

Different procurers ask a central organisation to draft common specifications to use for their own tender procurement process



Common specifications

Strengths:

- Possibility of individual solutions
 - Lower tendering cost
 - Some harmonisation

Weaknesses:

- Higher purchasing power
- Some adaptive complexity

Benefits

Main benefits of common procurements

- **Shared workload** between partners in a procurement process
- **More knowledge and experience** (from multiple authorities)
- **Innovation**
 - Learning from each other and looking for new approaches can trigger innovation, especially when using negotiation or other methods (user integration) within the process
- **Economy of scale** – larger quantities might:
 - 1) create market commitment for new innovative solutions,
 - 2) lead to lower prices and
 - 3) result in lower transaction costs for suppliers
- **Harmonisation of solutions**

Main challenges and barriers

Main challenges and barriers

Technical

- Technological maturity level
- Legacy systems
- Lack of standardisation
- Vendor lock-in

Practical/ organisational

- Time, effort and money
- Lack of network
- Lack of know-how
- Trust and culture
- Conflicting interests and policy goals
- Language barriers

Legal

- Differing national legal frameworks
- Conflict management
- Differing evaluation models
- Damages and claims

Forming CBGs

Challenges

- Find partners that share the same challenges and are technologically ready for the same type of solutions
 - Check: existing or new ITS systems and services, scalability potential between cities, type of data and open interfaces, user expectations and common understanding of technical terminology, etc.

Recommendations

- ✓ Look for partners which are on more or less the same technological level
- ✓ Look for partners with similar technological policy goals
- ✓ Be active on the international scene and through existing networks

Time, Money, Effort

Challenges

- Joint procurement may cost more time, money and effort as it requires a high level of coordination and creating standards for all procurers, more important project management and travelling expenses
 - Language barriers, common understanding of terminology, needs and requirements, legal and regulatory framework, selection criteria and selection process, standards, etc.

Recommendations

- ✓ Look for scalability, larger volumes and shared development costs, because it is where joint procurement can be cost-saving
- ✓ Establish trust and common understanding and address any conflicting interests early in the process

Knowledge and Experience

Challenges

- Lack of experience and know-how with regards to different new procurement procedures
- Lack of learning
- Check SPICE platforms!
<http://spice-project.eu>

Recommendations

- ✓ Allocate resources for continuous learning, collections of best practices, participation at workshops and conferences
- ✓ Ensure an open exchange of information and experience, especially between procuring actors and those submitting their tenders, also through networks and platforms

(Legacy) IT-Systems*

Challenges

- They result in technically different needs, even though the challenges and the functional needs are shared

*A system that has been in place for a long time, where the cost of exchanging it with a new one has been judged too high compared to maintaining and evolving the existing system

Recommendations

- ✓ Develop a thorough understanding, mapping and documenting legacy systems within one's own organisation with the purpose of
 - exchanging these systems in the future
 - specification in any potential common procurement
- ✓ Standardisation
- ✓ Coordinate innovation with others (early CBG!)

Standardisation / Specifications

Challenges

- Lack of common standards



Recommendations

- ✓ Creation of CBGs can be motivated by standardisation!
 - This in return will make the creation of more CBG easier

* A situation where plenty of standards are available can make it easier to create CBGs. A lack of standards can encourage the creation of CBGs to work together towards new standards.

Legal Challenges

Challenges

- Several legal challenges, the most in joint procurements, especially if cross-border

*Note: Using authority options should be aligned with national complaint board case law as the level of requirements for specifications may vary between member states.

Recommendations

- ✓ The new Procurement Directive 2014/24/EU Article 38-39 solves some legal challenges
- ✓ Use ‘authority options’, which is a hybrid joint procurement, only carried out by one procuring authority but giving other specific named authorities a tendered option to procure ‘the same’ as the procuring authority on specific terms*

Further reading

If you are interested in reading more about common procurements and Common Buyers Groups, further information is available online:

- ✓ Evaluation report D4.3 (soon to be uploaded on <http://spice-project.eu/>)
- ✓ <http://spice-project.eu/2018/01/12/d4-1-best-practices-common-procurements/>
- ✓ <http://spice-project.eu/best-practices/>

Questions