Invitation to Quote

Invitation to Quote (ITQ) on behalf of Department for Business, Innovation and Skills (BIS)

Subject UK SBS How effective is dynamic competition in the markets for digital platforms in delivering good economic outcomes, and what would be the effect of more intervention

UK Shared Business Services Ltd (UK SBS)
www.uksbs.co.uk

Registered in England and Wales as a limited company. Company Number 6330639.
Registered Office North Star House, North Star Avenue, Swindon, Wiltshire SN2 1FF
VAT registration GB618 3673 25

UKSBS
Shared Business Services

Sourcing reference number BLOJEU-CR150101BIS

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Section 1 – About UK Shared Business Services

Putting the business into shared services

UK Shared Business Services Ltd (UK SBS) brings a commercial attitude to the public sector; helping our customers improve efficiency, generate savings and modernise.

It is our vision to become the leading provider for our customers of shared business services in the UK public sector, continuously reducing cost and improving quality of business services for Government and the public sector.

Our broad range of expert services is shared by our customers. This allows our customers the freedom to focus resources on core activities; innovating and transforming their own organisations.

Core services include Procurement, Finance, Grants Admissions, Human Resources, Payroll, ISS, and Property Asset Management all underpinned by our Service Delivery and Contact Centre teams.

UK SBS is a people rather than task focused business. It's what makes us different to the traditional transactional shared services centre. What is more, being a not-for-profit organisation owned by its customers, UK SBS' goals are aligned with the public sector and delivering best value for the UK taxpayer.

UK Shared Business Services Ltd changed its name from RCUK Shared Services Centre Ltd in March 2013.

Our Customers

Our Customers

Growing from a foundation of supporting the Research Councils, 2012/13 saw Business Innovation and Skills (BIS) transition their procurement to UK SBS and Crown Commercial Services (CCS – previously Government Procurement Service) agree a Memorandum of Understanding with UK SBS to deliver two major procurement categories (construction and research) across Government.

UK SBS currently manages £700m expenditure for its Customers.

Our Customers who have access to our services and Contracts are detailed here.

Our Procurement ambition

Our vision is to be recognised as a centre of excellence and deliver a broad range of procurement services across the public sector; to maintain and grow a procurement service unrivalled in public sector.

Procurement is a market-shaping function. Industry derived benchmarks indicate that UK SBS is already performing at or above "best in class" in at least three key measures (percentage savings, compliant spend, spend under management) and compare well against most other measures.

Over the next five years, it is the function's ambition to lead a cultural change in procurement in the public sector. The natural extension of category management is to bring about a fundamental change in the attitude to supplier relationship management.

Our philosophy sees the supplier as an asset to the business and the route to maximising value from supply. This is not a new concept in procurement generally, but it is not a philosophy which is widely employed in the public sector.

We are ideally positioned to "lead the charge" in the government's initiative to reform procurement in the public sector.

UK SBS Procurement's unique selling points are:

- Focus on the full procurement cycle
- Leaders in category management in common and specialised areas
- Expertise in the delivery of major commercial projects
- That we are leaders in procurement to support research
- Use of cutting edge technologies which are superior to those used generally used across the public sector.
- Use of market leading analytical tools to provide comprehensive Business Intelligence
- Active customer and supplier management

> ***'UK SBS' contribution to the Government Procurement Agenda has been impressive. Through innovation and leadership UK SBS has built an attractive portfolio of procurement services from P2P to Strategy Category Management.'***
>
> **John Collington**
>
> **Former Government Chief Procurement Officer**

Section 2 – About Our Customer

Department for Business, Innovation and Skills (BIS)

The Department for Business, Innovation & Skills (BIS) is the department for economic growth. The department invests in skills and education to promote trade, boost innovation and help people to start and grow a business. BIS also protects consumers and reduces the impact of regulation.

BIS is a ministerial department, supported by 48 agencies and public bodies.

Department for Business, Innovation and Skills achievements include:

- Funding 457,000 apprenticeship starts in 2010-11 Academic Year
- Committing £75 million to support innovation in technology-based SMEs
- Helping 25,000 UK businesses (mainly SMEs), employing over 13 million people, to make the most of opportunities for growth in overseas markets; Growth Accelerator is a new Department for Business funded-service to help up to 26,000 small and medium enterprises (SMEs) grow as much as they can over three years. Working with an experienced coach, businesses will receive a personalised growth plan, training and workshops, networking and peer to peer support. SMEs can also learn how to develop their leadership and management capability.
- With the Cabinet Office, leading the review of 1,200 regulations across Government as part of the Red Tape Challenge, more than half of which will be scrapped or improved.

http://www.bis.gov.uk

Section 3 - Working with UK Shared Business Services Ltd.

In this section you will find details of your Procurement contact point and the timescales relating to this opportunity.

Section 3 – Contact details		
3.1	Customer Name and address	Department for Business Innovation and Skills (BIS)
3.2	Buyer name	Rebecca Fish
3.3	Buyer contact details	research@uksbs.co.uk
3.4	Estimated value of the Opportunity	£40,000 excluding VAT
3.5	Process for the submission of clarifications and Bids	**All correspondence shall be submitted within the Emptoris e-sourcing tool. Guidance Notes to support the use of Emptoris is available here.** **Please note submission of a Bid to any email address including the Buyer will result in the Bid not being considered.**

Section 3 - Timescales		
3.6	Date of Issue of Contract Advert and location of original Advert	18/01/2016 - Contracts Finder
3.7	Latest date/time ITQ clarification questions should be received through Emptoris messaging system	21/01/2016
3.8	Latest date/time ITQ clarification answers should be sent to all potential Bidders by the Buyer through Emptoris	25/01/2016
3.9	Latest date/time ITQ Bid shall be submitted through Emptoris	03/02/2016 14:00
3.11	Anticipated rejection of unsuccessful Bids date	15/02/2016
3.12	Anticipated Award date	15/02/2016
3.13	Anticipated Contract Start date	18/02/2016
3.14	Anticipated Contract End date	17/04/2016
3.15	Bid Validity Period	60 Days

Section 4 – Specification

Introduction

The Department for Business, Innovation and Skills (BIS) is responsible for, among other things, competition policy and much of the UK Government's response to EU consultations on the digital single market.

The EU commission are currently consulting on the regulatory environment for online platforms and intermediaries. The consultation on platforms covers: the social and economic role of online platforms; transparency e.g. in search results; terms of use; ratings and reviews; the use of information by platforms; the relation between platforms and their suppliers; the conditions of switching between comparable services offered by platforms; the role of online intermediaries including ways to tackle illegal content on the Internet.

Aims

Project Title: How effective is dynamic competition in the markets for digital platforms in delivering good economic outcomes, and what would be the effect of more intervention?

The high level aim of this project is to build the evidence to inform the UK's position on the EU consultation on online platforms. In particular, there are two questions that this research needs to address.

1. How much competition, and in particular dynamic competition and innovation, is there in the digital platforms industry?
2. Given the features of this market, is there a need to go beyond existing competition law and what would the likely effect be of additional ex ante regulation on innovation and dynamic competition?

Objectives

We have undertaken internal research to create a theoretical framework of 'how' and 'where' competition takes place in these industries. The first part of our internal research involved reviewing much of the theoretical literature on two-sided platforms and industries with significant network effects to come to an initial view on how these markets are working. The second part of this research involved testing these ideas with academic and other expert economists. We will share this research with the successful bidder.

This research has enabled us to develop a number of hypotheses. We would now like to test the extent to which these hold in practice. The hypotheses we have developed as a result of this research are that:

- Competition in these industries may be less obvious, but just as effective in terms of delivering positive consumer outcomes. In particular the use of innovation to enter and re-define the boundaries of markets, competition for the market, and stronger competition on one side of the market than on the other (in multi sided markets) may all be able to produce positive competitive outcomes. Furthermore it may be hard to define the boundaries of a market or of a sector if current and future competitive constraints on firms may come from sectors that may traditionally be thought of as not part of the same market.
- Whilst network effects and tipping points may make market entry more difficult, they may also make the reward for a successful market entry greater, and encourage competition for the market. More generally, the large rewards on offer may encourage innovation and investment. Moves to lessen the impact of tipping points may reduce this incentive. BIS would be interested to see how the combination of risk and reward associated with entry compares with other industries.
- The same practices employed by different firms may lead to very different competitive outcomes due to subtle differences in market characteristics.
- Regulatory interventions may stifle innovation in one of two ways. Firstly, there is a risk of reducing the ability to innovate by increasing the direct cost of innovation or by mandating certain standards. Secondly, there is a risk of reducing the incentive to innovate by expropriating investments made in novel products, and allowing free riding.

As mentioned above, these are findings based on reviewing the literature and interviewing academic and practitioner economists. They should therefore be treated as hypotheses, not pre-given conclusions. We welcome the researchers to challenge these findings as well as developing further findings based on an understanding of the reality in the digital platforms industry.

Specific regulations have not yet been proposed. However, the European Commission’s platform consultation, attached in the section below (4. Background to the Requirement), asks questions on the ease of switching for both consumers and traders, access to and flow of data, the openness and compatibility of platforms, and platform supplier relationships amongst other things. Whilst the research should not become fixed on the technical details of specific possible interventions, the bidder should read the consultation to get a sense of where interventions are likely to occur.

Background to the Requirement

This research is being conducted in response to an European Commission consultation on digital platforms, and a wider context of concerns at an EU level at the economic effects and role of digital platforms and whether new regulation is needed. The EC released a press notice on the consultation (http://europa.eu/rapid/press-release_IP-15-5704_en.htm), and the consultation has been released as well (Appendix 1)

We would like this research to be conducted by researchers familiar with performing competition analysis.

We also want the research to include interviews with players in these markets (as described in more detail below). We would like the tender document to describe how you will identify, and make contact with these individuals. To some extent, the researchers will be able to use the BIS brand and contacts to find interviewees, however any connections or insights the researchers have would of course be a positive.

We mentioned the internal research we have done above. Here is a summary of the literature we read for the initial literature review, although the bidders may also want to read some of the additional material suggested here

Other materials that are worth looking at include:

Alex Chisholm's (CMA Chief Executive) speech (27 October): https://www.gov.uk/government/speeches/alex-chisholm-speaks-about-online-platform-regulation

CMA/ Autorité de la concurrence paper on the economics of open and closed systems:

https://www.gov.uk/government/publications/effects-of-open-and-closed-systems-on-competition

CMA reports on the commercial use of consumer data, and on online reviews and endorsements

https://www.gov.uk/cma-cases/commercial-use-of-consumer-data, *and*

https://www.gov.uk/government/news/cma-acts-to-maintain-trust-in-online-reviews-and-endorsements

As well as the following literature summary, there are some more papers embedded below the table.

Summary of literature

Paper	Summary
Nicholas Economides "Antitrust issues in Network Industries" (2008):	In markets for goods with network externalities and constant or falling marginal costs, perfect competition will lead to an under-consumption of the good as no firm will be able to adequately incentivise members to join the network as they cannot capture the benefit. Markets with strong network effects where firms can chose their own technical standards exhibit extreme inequality in market shares. This in turn makes traditional competition policy more difficult as perfect competition is not the socially optimal benchmark for the counterfactual. However, economic regulation carries high risks where highly innovative firms and highly uncertain markets are concerned.
Paul Joskow "Regulation of Natural Monopolies" (2005)	Economic regulation is often unnecessary for natural monopolies if there is competition for the market. Price and/or quantity regulation is likely to be inflexible to changing competitive conditions or market expectations, and may lead to regulatory capture or hold-up.
Jerry Hausman "Valuing the Effect of Regulation on New Services in Telecommunications" (1997)	Looking at the US context and the FCC, this paper argues that regulatory hold-up of the introduction of voice messaging has cost consumers around $100 billion, and that the cost pricing regulation for new services does not adequately reward the risk of innovation, thereby reducing it.
Liebowitz and Margolis "Network Externalities" (1998)	Network effects and the tendency towards a natural monopoly in networked industries are often over-estimated. In practice resource limitations on firm size, heterogeneous consumer preferences and the asymmetrical value to individuals of the network mean that monopolies need not form. The value of the network, also, is often over-estimated

	and sometimes an inverse relationship between size and cost is assumed to be mean that size reduces cost rather than the other way round.
Katz and Shapiro “Systems Competition and Network Effects” (1994):	‘Systems’ economics poses special challenges for both economists and market players due to multiple equilibria and coordination problems. However it is only for direct (communications type) network markets, rather than indirect (software-hardware type) network markets that perfect competition may lead to under consumption, assuming that cost conditions in the latter can support a competitive equilibrium. Still, indirect network effects may lead to monopolistic (but not necessarily bad) outcomes if there are compatibility barriers, ownership over the network, or economies of scale. There are a large number of factors which make assessing the social costs and benefits, in terms of both allocative efficiency and the effect on innovation, of compatibility vs. incompatibility. Finally there are two key risks of state intervention; the level of inefficiency is very unclear and there are many naturally occurring mechanisms to address it, and government may favour today’s users at the expense of tomorrow’s.
Liebowitz and Margolis “Network Externality: An uncommon tragedy” (1994)	Indirect network effects do not form true externalities; they merely redistribute surplus between groups (under perfect competition); and even if price falls with scale (suggesting a natural monopoly), this does not have to be as a result of economies of scale. Furthermore, even direct network externalities may be “inframarginal”, i.e. above a certain level the network benefits cease to accrue.

	There is little evidence of "the wrong network" becoming dominant in spite of some popular conceptions such as VHS vs. Beta; and furthermore large transitions between networks regularly occur in market economies
Tirole and Rochet "Platform competition in two sided markets" (2003)	Monopolies will distribute between the two sides to maximise take up of the network on both sides in the same proportions that a social planner would. Therefore the side of the market with more elastic demand is likely to get a 'better deal'. An increase in multi-homing facilitates steering and is favourable to the seller side. Marquee buyers raise the seller price and lower the buyer price, whereas captive buyers lower the seller price.
OECD Digital Economy round-table paper (2012)	Digital markets are characterised by high but transient market power. Competition regulation must ensure that platforms do not impose high switching costs or other barriers to entry, though digital markets have in general had relatively low switching costs, and well-designed platforms are catalysts for innovation.
OECD two sided markets roundtable paper (2009)	Whilst there may be (bad) monopoly pricing, there is no bias in cost allocation to one side or the other. Any price caps would need to take account of the overall price level; this may be difficult if there is not a natural unit of account. This means that any price capping would need to take into account demand curves; a whole extra layer of complication from the point of view of regulators. Mergers in two-sided markets may increase consumer welfare even if prices go up, owing to the increase in the network size.
Luke A. Stewart "The Impact of Regulation on Innovation in the United States: A Cross-Industry Literature Review" (2010)	The paper considers the effect on innovation of social regulation and economic regulation, and considers characteristics of regulation that encourage or discourage innovation. Well-designed social innovations are likely to increase "social innovation" – i.e. innovations to comply with the regulation, but often reduce market

	innovation. Overall, regulation that allows more flexibility in how the objective of the regulation is achieved is better for innovation. In telecommunications, which type of economic regulation most encourages innovation is an open question with contradictory evidence, but an important result found is that more incentives-based regulation seems to increase total factor productivity.
Justus Haucap and Ulrich Heimeshoff, “Is the internet driving competition or market monopolisation?” (2013)	Many online platforms, though not all, exist in markets which appear to be highly concentrated; some characteristics of platform markets tend to reduce concentration. There are significant differences between these markets however, and the reasons for concentration may be due to the superior technology of the leading firm rather than barriers to entry. Social networking and online search are markets that have low switching and multi-homing costs. Online trading platforms by contrast are able to build in such costs by encouraging sellers to build their reputation on a given platform. Even in this market there are good innovation-incentives arguments against additional regulation.
Feng Zhu and Marco Iansiti, “Entry into platform based markets” (2012)	Various platform based markets (though not all) have seen barriers to entry fall as the network benefits accruing to a specific firm fall. This is due to increasing standardisation lowering the cost of multi-homing or switching. This has been the case in operating systems, web browsers, and (the paper argues) online search. This has not been the case in VCR and high definition video owing to the large number of films that the average hardware owner purchases.
Ioannis Lianos and Evgenia Mothenkova, “Market dominance and quality of search results	The authors develop a model which shows that a monopolisation or near monopolisation of the search engine market leads to excessive pricing for advertisers compared to a competitive market, and reduced search

in the search engine market" (2013)	quality for consumers. Therefore, regulation is needed to ensure the unbiased nature of search results. This could include transparency rules, provision of expert advice, or inter-firm sharing to encourage competition.
Evans and Schmalensee, "The antitrust analysis of multi-sided platforms" (2013)	Competition analysis of multi-sided platforms is significantly more complicated than that of single sided businesses because any assessment of a potential abuse needs to take account of all sides of the platform and indirect network effects between them. This is essential for enduring that good judgments are reached.
Argenton and Prufer, "Search Engine competition with network externalities" (2012)	A part of Google's competitive advantage is the backlog of search data they (and not their competitors) have access to. This is not a "fair" basis for competition as it is not reasonable to expect a competitor to be able to recreate this data. Forcing Google to share this data with its competitors (and vice versa) would be in line with a 2010 DoJ decision that Yahoo and Microsoft should be allowed to share their data to create an improved search function.
Ellison and Ellison, "Lessons about markets from the internet" (2005)	Contrary to the popular view, a reduction in search costs may not be the most important economic effect online platforms. It may be, instead, a more efficient allocation of goods, or a preference for product variety.
Giacoma Luchetta, "Is the Google platform a two-sided market?" (2013)	Despite appearances, Google is not a two-sided platform because there is not a direct trade between a buy side and a sell side. In fact it is more like a traditional value chain (like a supermarket) where end-users "sell" their data in return for search results, but with unidirectional indirect network effects from the end-users to the advertisers. As such, it competes with other targeted advertising providers such as Facebook. It is still the case that Google is an important "gateway" to the internet, meaning that its search algorithms have important economic and social consequences. This is not in scope of competition law, and so may justify

	specific sectoral regulation to ensure that search is unbiased.
Mark A Jamison, "Should Google be regulated as a public utility?" 2012	There is little justification for regulating Google as a public utility; it does not fit any of the categories. In the space where Google competes for revenues – i.e. targeted advertising, Google is facing increasing competition. There are significant negative impacts from regulation, most obviously the negative impact on innovation. Those who favour regulation that favours Google's competitors often (implicitly) assume that they will deliver an equally valuable product. This proposition needs to be argued for, not assumed.

There are a few other papers that the bidder may want to look at (embedded below), though we would emphasise the fact that we are not commissioning a literature review, so these should be looked at for some more background on the economic theory, as necessary.

Aghion.pdf

Goettlet & Gordon.pdf

Igami 2013.pdf

Indrest & Ottaviani.pdf

O Donoghue 1998.pdf

Ezrachi and Stucke.pdf

Stucke and Grunes 2015.pdf

<u>Requirement</u>

Methodology

We are open to any methodologies that the contractors would like to suggest. Here, however, we have given an outline of one way in which this research could be conducted, and this involves two parts to the research. We are not wedded to dividing the research into two parts as in the outline here, but it must answer both questions.

Part A: How much competition, and in particular dynamic competition and innovation, is there in the digital platforms industry?

Part A will assess dynamic competition in the markets for digital platforms. This will be done by looking at several markets with the following characteristics (listed here in approximate order of importance):

- Significant network effects
- Multi-sided
- Various stages of development e.g. some markets that are still developing or changing, some that are established or with longer histories, and some dead markets
- Markets that are, or have been, highly concentrated (as well as a few that are not)
- The markets should either be digital platform markets, or there should be clear parallels to current digital platform markets.
- Markets in a number of jurisdictions reflecting different levels of regulation (if possible).

It is worth emphasising here that the boundaries of markets may vary (this is indeed one of the things we want to test), and so assessing competition in the industry should not use inflexible market definitions. For the purpose of this specification, the word ‘market’ has often been used for convenience. There is a good working definition of digital platforms in the EU commission consultation document, which is attached to this specification.

The number of case studies should be appropriate to the level of detail needed to conduct the analysis. The cases should use both historical market data as well as interviews with market experts, whether these are individuals in successful or failed market entrants, individuals in venture capital firms or other relevant corporate finance firms, or independent analysts or commentators. We have already conducted interviews with academics and practitioners on the general questions, and so these interviews should focus on the specific cases. The cases should also be the basis for part B of the research.

With the cases chosen, part A should then look at how these markets have developed over time, and look to answer a few questions. All these questions aim to assess how and how well competition works in these markets.

1. Do leading platforms face competitive pressure on at least ‘one side’ of the platform? Does this mean that any economic rents get passed through?
2. How much attempted entry is there? And, to what extent do firms try to take “market share” from the market leader?
    a. What is the likelihood of success of these attempts?
    b. How does this likelihood compare to other markets that are traditionally seen to be competitive?

    c. Is any reduced likelihood of success compensated for through an increased prize in the event of success?
    d. What does this mean in terms of the number, regularity and size of entry attempts?
    e. Does the complementarity or substitutability of the new entrant to the established firms impact upon this analysis?
3. What appear to be the necessary conditions for successful entry or expansion
    a. both in terms of business strategy or innovation (e.g. the extent of differentiation),
    b. and in terms of market characteristics?
4. In the development of these markets or industries, are there certain distinct phases? Are there critical points (e.g. market creation, tipping points) after or before which competition takes a different, or more or less effective, form (e.g. competition *for* vs. *in* the market)? Are subsequent dominant positions totally entrenched?
5. What is the response of incumbents to the emergence of new competitors?
6. Overall, is competition in these markets as vigorous and effective at delivering good outcomes for consumers compared to a "normal competitive market"?

Part B: What would be the likely effect of additional regulation on innovation and dynamic competition, and is there a need to go beyond existing competition law?

The primary purpose of this piece of research is to provide evidence to inform the UK position on possible EU interventions in the digital economy. Part B will clearly be essential to meeting this objective. This part of the research could be done by providing a framework for considering the necessity of new regulation, and criteria for judging their effects, and could then use these criteria to assess the costs and benefits of the possible interventions. This framework could be developed by considering how various interventions would have affected the development of the markets in the cases looked at in part A. This format would be advantageous in that it would <u>use the knowledge developed in part A</u> to both comment on specific suggestions, and to provide a tool for BIS to consider future proposals. However, this must go beyond the internal research we have conducted.

Part B of the research should assess the likely effects of additional regulations indicated in the consultation, such as mandating greater sharing of data, making it easier for sellers to 'port' their reputation between platforms, forcing or encouraging platforms to be compatible with one another, introducing regulation to protect third party sellers in their interactions with platforms, or any other regulations that the contractor believes could be introduced. In particular, we want the research to consider what the impact of additional regulations would be on competition and outcomes for consumers (including innovation effects), as well as assessing more lightly the direct regulatory burden.

This should be based on the understanding of the industry developed in part A. It might also consider differences in the development of these markets in different jurisdictions. Additionally, the interviews and case studies in more ‘interventionist’ jurisdictions should help to develop this understanding. This part of the research should consider how the characteristics of different types of intervention improve or worsen the likely outcomes from regulation, and should look to establish if there are targeted interventions that would improve competition in the industry, and particularly if they would add value to the existing competition law.

As well as the areas for intervention indicated in the consultation, this part of the research should consider ways in which the existing competition enforcement could be improved. A complaint sometimes made of the existing framework is that investigations can take several years, and this means that the decisions are often irrelevant by the time they are made, or ‘too late’ for the complainants. Therefore, we would like to know what the economic effects of speeding up processes or otherwise mitigating the effects of the duration of investigations would likely be. This aspect of the research might involve considering the trade-offs that would emerge, possibly using past cases.

Section 5 – Evaluation model

The evaluation model below shall be used for this ITQ, which will be determined to two decimal places.

Where a question is 'for information only' it will not be scored.

The evaluation team may comprise staff from UK SBS, the Customer and any specific external stakeholders UK SBS deem required. After evaluation the scores will be finalised by performing a calculation to identify (at question level) the mean average of all evaluators (Example – a question is scored by three evaluators and judged as scoring 5, 5 and 6. These scores will be added together and divided by the number of evaluators to produce the final score of 5.33 (5+5+6 =16÷3 = 5.33)

Pass / fail criteria

Questionnaire	Q No.	Question subject
Commercial	FOI1.1	Freedom of Information Exemptions
Commercial	AW1.1	Form of Bid
Commercial	AW1.3	Certificate of Bona Fide Bid
Commercial	AW3.1	Validation check
Commercial	AW4.1	Contract Terms
Quality	AW6.1	Compliance to the Specification
-	-	Invitation to Quote – received on time within e-sourcing tool

Scoring criteria

Evaluation Justification Statement
In consideration of this particular requirement UK SBS has decided to evaluate Potential Providers by adopting the weightings/scoring mechanism detailed within this ITQ. UK SBS considers these weightings to be in line with existing best practice for a requirement of this type.

Questionnaire	Q No.	Question subject	Maximum Marks
Price	AW5.2	Price	20.00%
Quality	PROJ1.1	Understanding the Requirement	20.00%
Quality	PROJ1.2	Methodology	20.00%
Quality	PROJ1.3	Project Team	20.00%
Quality	PROJ1.4	Project Plan and Risk Asssessment	20.00%

Evaluation of criteria

Non-Price elements

Each question will be judged on a score from 0 to 100, which shall be subjected to a multiplier to reflect the percentage of the evaluation criteria allocated to that question.

Where an evaluation criterion is worth 20% then the 0-100 score achieved will be multiplied by 20.

Example if a Bidder scores 60 from the available 100 points this will equate to 12% by using the following calculation: Score/Total Points available multiplied by 20 (60/100 x 20 = 12)

Where an evaluation criterion is worth 10% then the 0-100 score achieved will be multiplied by 10.

Example if a Bidder scores 60 from the available 100 points this will equate to 6% by using the following calculation: Score/Total Points available multiplied by 10 (60/100 x 10 = 6)

The same logic will be applied to groups of questions which equate to a single evaluation criterion.

The 0-100 score shall be based on (unless otherwise stated within the question):

0	The Question is not answered or the response is completely unacceptable.
10	Extremely poor response – they have completely missed the point of the question.
20	Very poor response and not wholly acceptable. Requires major revision to the response to make it acceptable. Only partially answers the requirement, with major deficiencies and little relevant detail proposed.
40	Poor response only partially satisfying the selection question requirements with deficiencies apparent. Some useful evidence provided but response falls well short of expectations. Low probability of being a capable supplier.
60	Response is acceptable but remains basic and could have been expanded upon. Response is sufficient but does not inspire.
80	Good response which describes their capabilities in detail which provides high levels of assurance consistent with a quality provider. The response includes a full description of techniques and measurements currently employed.
100	Response is exceptional and clearly demonstrates they are capable of meeting the requirement. No significant weaknesses noted. The response is compelling in its description of techniques and measurements currently employed, providing full assurance consistent with a quality provider.

All questions will be scored based on the above mechanism. Please be aware that the final score returned may be different as there may be multiple evaluators and their individual scores will be averaged (mean) to determine your final score.

Example

Evaluator 1 scored your bid as 60

Evaluator 2 scored your bid as 60

Evaluator 3 scored your bid as 50

Evaluator 4 scored your bid as 50

Your final score will (60+60+40+40) ÷ 4 = 50

Price elements will be judged on the following criteria.

The lowest price for a response which meets the pass criteria shall score 100.
All other bids shall be scored on a pro rata basis in relation to the lowest price. The score is then subject to a multiplier to reflect the percentage value of the price criterion.

For example - Bid 1 £100,000 scores 100.
Bid 2 £120,000 differential of £20,000 or 20% remove 20% from price scores 80
Bid 3 £150,000 differential £50,000 remove 50% from price scores 50.
Bid 4 £175,000 differential £75,000 remove 75% from price scores 25.
Bid 5 £200,000 differential £100,000 remove 100% from price scores 0.
Bid 6 £300,000 differential £200,000 remove 100% from price scores 0.

Where the scoring criterion is worth 50% then the 0-100 score achieved will be multiplied by 50.

In the example if a supplier scores 80 from the available 100 points this will equate to 40% by using the following calculation: Score/Total Points multiplied by 50 (80/100 x 50 = 40)

The lowest score possible is 0 even if the price submitted is more than 100% greater than the lowest price.

Section 6 – Evaluation questionnaire

Bidders should note that the evaluation questionnaire is located within the **e-sourcing questionnaire.**

Guidance on completion of the questionnaire is available at http://www.uksbs.co.uk/services/procure/Pages/supplier.aspx

PLEASE NOTE THE QUESTIONS ARE NOT NUMBERED SEQUENTIALLY

Section 7 – General Information

What makes a good bid – some simple do's ☺

DO:

7.1 Do comply with Procurement document instructions. Failure to do so may lead to disqualification.

7.2 Do provide the Bid on time, and in the required format. Remember that the date/time given for a response is the last date that it can be accepted; we are legally bound to disqualify late submissions.

7.3 Do ensure you have read all the training materials to utilise e-sourcing tool prior to responding to this Bid. If you send your Bid by email or post it will be rejected.

7.4 Do use Microsoft Word, PowerPoint Excel 97-03 or compatible formats, or PDF unless agreed in writing by the Buyer. If you use another file format without our written permission we may reject your Bid.

7.5 Do ensure you utilise the Emptoris messaging system to raise any clarifications to our ITQ. You should note that typically we will release the answer to the question to all bidders and where we suspect the question contains confidential information we may modify the content of the question to protect the anonymity of the Bidder or their proposed solution

7.6 Do answer the question, it is not enough simply to cross-reference to a 'policy', web page or another part of your Bid, the evaluation team have limited time to assess bids and if they can't find the answer, they can't score it.

7.7 Do consider who your customer is and what they want – a generic answer does not necessarily meet every customer's needs.

7.8 Do reference your documents correctly, specifically where supporting documentation is requested e.g. referencing the question/s they apply to.

7.9 Do provide clear and concise contact details; telephone numbers, e-mails and fax details.

7.10 Do complete all questions in the questionnaire or we may reject your Bid.

7.11 Do check and recheck your Bid before dispatch.

What makes a good bid – some simple do not's ☹

DO NOT

7.12 Do not cut and paste from a previous document and forget to change the previous details such as the previous buyer's name.

7.13 Do not attach 'glossy' brochures that have not been requested, they will not be read unless we have asked for them. Only send what has been requested and only send supplementary information if we have offered the opportunity so to do.

7.14 Do not share the Procurement documents, they are confidential and should not be shared with anyone without the Buyers written permission.

7.15 Do not seek to influence the procurement process by requesting meetings or contacting UK SBS or the Customer to discuss your Bid. If your Bid requires clarification the Buyer will contact you.

7.16 Do not contact any UK SBS staff or Customer staff without the Buyers written permission or we may reject your Bid.

7.17 Do not collude to fix or adjust the price or withdraw your Bid with another Party as we will reject your Bid.

7.18 Do not offer UK SBS or Customer staff any inducement or we will reject your Bid.

7.19 Do not seek changes to the Bid after responses have been submitted and the deadline for Bids to be submitted has passed.

7.20 Do not cross reference answers to external websites or other parts of your Bid, the cross references and website links will not be considered.

7.21 Do not exceed word counts, the additional words will not be considered.

7.22 Do not make your Bid conditional on acceptance of your own Terms of Contract, as your Bid will be rejected.

Some additional guidance notes

7.23 All enquiries with respect to access to the e-sourcing tool and problems with functionality within the tool may be submitted to Crown Commercial Service (previously Government Procurement Service), Telephone 0345 010 3503.

7.24 Bidders will be specifically advised where attachments are permissible to support a question response within the e-sourcing tool. Where they are not permissible any attachments submitted will not be considered.

7.25 Question numbering is not sequential and all questions which require submission are included in the Section 6 Evaluation Questionnaire.

7.26 Any Contract offered may not guarantee any volume of work or any exclusivity of supply.

7.27 We do not guarantee to award any Contract as a result of this procurement

7.28 All documents issued or received in relation to this procurement shall be the property of UK SBS.

7.29 We can amend any part of the procurement documents at any time prior to the latest date / time Bids shall be submitted through Emptoris.

7.30 If you are a Consortium you must provide details of the Consortiums structure.

7.31 Bidders will be expected to comply with the Freedom of Information Act 2000 or your Bid will be rejected.

7.32 Bidders should note the Government's transparency agenda requires your Bid and any Contract entered into to be published on a designated, publicly searchable web site. By submitting a response to this ITQ Bidders are agreeing that their Bid and Contract may be made public

7.33 Your bid will be valid for 60 days or your Bid will be rejected.

7.34 Bidders may only amend the Contract terms if you can demonstrate there is a legal or statutory reason why you cannot accept them. If you request changes to the Contract and UK SBS fail to accept your legal or statutory reason is reasonably justified we may reject your Bid.

7.35 We will let you know the outcome of your Bid evaluation and where requested will provide a written debrief of the relative strengths and weaknesses of your Bid.

7.36 If you fail mandatory pass / fail criteria we will reject your Bid.

7.37 Bidders are required to use IE8, IE9, Chrome or Firefox in order to access the functionality of the Emptoris e-sourcing tool.

7.38 Bidders should note that if they are successful with their proposal UK SBS reserves the right to ask additional compliancy checks prior to the award of any Contract. In the event of a Bidder failing to meet one of the compliancy checks UK SBS may decline to proceed with the award of the Contract to the successful Bidder.

7.39 All timescales are set using a 24 hour clock and are based on British Summer Time or Greenwich Mean Time, depending on which applies at the point when Date and Time Bids shall be submitted through Emptoris.

7.40 All Central Government Departments and their Executive Agencies and Non Departmental Public Bodies are subject to control and reporting within Government. In particular, they report to the Cabinet Office and HM Treasury for all expenditure. Further, the Cabinet Office has a cross-Government role delivering overall Government policy on public procurement - including ensuring value for money and related aspects of good procurement practice.

For these purposes, UK SBS may disclose within Government any of the Bidders documentation/information (including any that the Bidder considers to be confidential and/or commercially sensitive such as specific bid information) submitted by the Bidder to UK SBS during this Procurement. The information will not be disclosed outside Government. Bidders taking part in this ITQ consent to these terms as part of the competition process.

7.41 From 2nd April 2014 the Government is introducing its new Government Security Classifications (GSC) classification scheme to replace the current Government Protective Marking System (GPMS). A key aspect of this is the reduction in the number of security classifications used. All Bidders are encouraged to make themselves aware of the changes and identify any potential impacts in their Bid, as the protective marking and applicable protection of any material passed to, or generated by, you during the procurement process or pursuant to any Contract awarded to you as a result of this tender process will be subject to the new GSC from 2nd April 2014. The link below to the Gov.uk website provides information on the new GSC:

https://www.gov.uk/government/publications/government-security-classifications

UK SBS reserves the right to amend any security related term or condition of the draft contract accompanying this ITQ to reflect any changes introduced by the GSC. In particular where this ITQ is accompanied by any instructions on safeguarding classified information (e.g. a Security Aspects Letter) as a result of any changes stemming from the new GSC, whether in respect of the applicable protective marking scheme, specific protective markings given, the aspects to which any protective marking applies or otherwise. This may relate to the instructions on safeguarding classified information (e.g. a Security Aspects Letter) as they apply to the procurement as they apply to the procurement process and/or any contracts awarded to you as a result of the procurement process.

USEFUL INFORMATION LINKS

- Emptoris Training Guide
- Emptoris e-sourcing tool
- Contracts Finder
- Tenders Electronic Daily
- Equalities Act introduction
- Bribery Act introduction
- Freedom of information Act