Procurement @ ESO

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Topics Addressed

- Statistics
- ESO Procurement Policy
- Procurement vehicles
- Lowest compliant bidder
- Best Value for Money
- Selective tendering
- Collaborations with Institutes
Statistics (1/3)

Contracts awarded worldwide over the period 2008 - 2017

Total Contracts 10 years: 1.427 Million EUR
Contracts per “project” over the period
2008 - 2017

Cumulative values, per “project” in kEUR

VLT
ALMA
ELT
Others
Operations
Industry day Ireland, Dublin 17 September 2018, public

Statistics (3/3)

Number of procurements

Value per year in EUR

- € 500,000,000
- € 450,000,000
- € 400,000,000
- € 350,000,000
- € 300,000,000
- € 250,000,000
- € 200,000,000
- € 150,000,000
- € 100,000,000
- € 50,000,000


5400 5600 5800 6000 6200 6400 6600 6800
Overall objective: technical excellence at an affordable cost.

In accordance with key principles for Public Procurement:

- Non-discrimination
- Transparency
- Accountability
- Fairness, economy and efficiency
Requirements from ESO Financial Rules and Regulations:

- Competitive Tendering;
- Within ESO Member States;
- Contracts awarded to:
  - the lowest priced technically and managerial compliant tender or
  - *The tender providing the best value for money (from 1 Jan 2019 on)*;
- Fair distribution of the contracts among the ESO Member States.
Procurement Policy (3/3)

- Strict regulations regarding financial capabilities
  - ESO contracts can’t be more than 60% of the annual turnover;
  - Mother company guarantee accepted.

- Contracts/ Purchase Orders are regulated by ESO’s own set of contractual condition:
  - recourse to private arbitration in case of disputes;
  - IP according to who pays, owns with possibility of licensing.
Price Inquiries:

- For goods and services which are “standard” and do not call for an extensive definition of requirements;
- The schedule is ad-hoc, typically 3 to 4 weeks;
- The resulting order is regulated by the ESO General Conditions of Purchase Orders;
- Values are, as a general rule, < 150KEUR
Call for Tender (CFT):

- Announced on the ESO CP web page;
- Mostly a 2 step process:
  - Preliminary Inquiry: selection based on technical and financial suitability (response time: ~4 weeks);
  - Competitive CFT: to all qualified companies; response time 6 weeks minimum.

Other:

- Request for Information (form free on a non-binding basis)
- Single Source procurements (only in justified cases)
Structure of our procurement documentation:

➢ Preliminary Inquiry:
  • Cover letter defining the content of the response
  • Synopsis of the scope of work;
  • The technical, financial, contractual qualification criteria;
  • Administrative matters;
  • ADs, as required (e.g. General Conditions of ESO Contracts)

➢ CFT:
  • Cover letter
  • Special Conditions
  • Tender Form
  • Draft contract
  • General conditions
  • SOW
  • Technical Specifications
Lowest compliant bidder

- Technical and managerial compliant if the offers reaches the minimum compliancy level;

- Commercial compliant if the offers reaches the minimum compliancy level;

- Result is a list of offers that are technical, managerial and commercial compliant;

- Winner is the offer in this list that has the lowest price;
Best Value for Money (1)

- Technical and managerial compliant if the offers reaches the minimum level. *In addition the offer is scored on quality, the better the offer, the higher the score*;

- Commercially compliant if the offers reaches the minimum level. *In addition the offer is scored on quality, the better the offer, the higher the score*;

- Result is a list of offers that are technical, managerial and commercial compliant and the score reached by each offer for the technical/managerial and commercial compliance;
In addition, the offers also get a score on the basis of the prices (lowest price gets highest score).

Winner is the offer that, taking into account the offered price, reaches the highest score following a predefined formula that weighs the three aspects Technical/managerial, Commercial and Price;
Guidelines:

- Technical Managerial part max 40%
- Commercial part min 10%
- Price min 50%

Price calculated as relative distance to lowest price

- If bidder A offers 100 EUR and Bidder B offers 120 EUR then Bidder A gets 50 points and Bidder B gets 40 points (20% less because of 20% higher price)

Winner is the offer that scores the most points adding:

Points tech/man + points commercial + points price
Our procurement actions are targeted =>
  ➢ You either know about it;
  ➢ or ESO knows about you and your competencies;
  ➢ or…..the opportunity is lost.

For procurements expected to exceed 150 KEUR, announcement is made on the ESO web page: http://www.eso.org/public/industry/cp.html

=> companies have the opportunity to make their interest known to ESO (cp@eso.org).
Some things to keep in mind:

- Your reply needs to respond fully to the CFT requirements, specified in our “special conditions” => ask questions when you are unsure!!!!
- Same level of completeness required from new suppliers as for suppliers who have already contracted with ESO;
- Questions asked by ESO for clarification, and very selectively for missing information;
Collaborations with Institutes

- Collaborations aimed at building instruments to be used at the telescopes;
- Same principles applied as for procurements (Transparency, equal treatment etc.);
- Identification of institutes via scientific council delegate;
- Remuneration via GTO and reimbursement of hardware cost.
- Institutes mostly procure via EU tendering
What can being a supplier to ESO bring you?

- Marketing value: you get the chance to contribute to the build of very complex machines with a high publicity factor
- It can provide you the opportunity for free R&D
- Potential spin offs of the developments made
Questions?