ESO Procurement
Topics Addressed

- Statistics
- ESO Procurement Policy & Process
- Industrial return
- The ESO Contracts and Procurement Web page (www.eso.org).
Contracts awarded worldwide over the period 2005 - today

ESO Member States 430 million EUR
Chile 147 million EUR
USA 22 million EUR
Europe Non Member State 10 million EUR
Others 9 million EUR

Total Contracts 6 years: 618 million EUR
Contracts awarded within ESO Member States over the period 2005 - today

Cumulative values, per “project”

- HQ related: 12 m EUR
- ALMA: 232 m EUR
- VLT: 14 m EUR
- E-ELT: 44 m EUR
- Others: 128 m EUR

Number of contracts, for different price ranges

- [150,000 - 500,000] EUR: 24
- [0.5 - 1.0 million] EUR: 22
- [1 - 5 million] EUR: 4
- [> 5 million] EUR: 87

Total Contracts 6 years, 430 million EUR

ESO Industry Days 2011
Procurement Policy

- Overall objective: technical excellence at an affordable cost.
- Key principles:
  - defined in the ESO Financial Rules and Regulations:
    - Competitive Tendering;
    - Within ESO Member States;
    - Contracts awarded to the lowest priced compliant tender;
    - Fair distribution of the contracts among the ESO Member States.
  - Implemented through the ESO internal Procurement and Sales procedures.
Procurement Process (1/2)

- ESO selects the recipients of its procurement actions from:
  - Its database, plus its staff’s own knowledge;
  - Suggestions received from ESO Member States;
  - Interest expressed by companies:
    - In relation to forthcoming procurements announced on the ESO web page;
    - Generically.

- ESO gives great importance to the quality of its tenders, and expects the same from the bidders: “one shot only”, no room for improving a tender after its submission.
Procurement Process (2/2)

- Evaluation of the managerial/technical evaluation of tenders performed without knowledge of the price(s);
- Lowest priced compliant tender is awarded the order/contract;
- For each procurement above 150K EUR, an internal committee is constituted to follow through the evaluation and adjudication process.
- Contracts/Purchase Orders are regulated by ESO’s own set of contractual conditions (including recourse to private arbitration in case of disputes).
Price Inquiries

- As a general rule, used for procurement values < 150’000 EUR;
- Minimum requirement: 3 competitive offers must be sought, and far preferably obtained;
- For procurements > 50’000 EUR, suppliers from (all) ESO MS are expected to be contacted, “whenever possible”;
- Typically 2 to 4 weeks allowed for the companies to respond;
- No formal opening, unlike CFT: the CP officer in charge summarizes the responses in a note for the CP file;
- The User receives all the technical offers for evaluation, without knowledge of the prices;
- The technical evaluation identifies the compliant tenders, and in particular documents the reasons why certain tenders were judged non compliant;
- The order is awarded to the lowest priced compliant tenderer.
Calls for tender (CFT) (1/6)

Typically used for Procurements > 150k EUR
Calls for tender (CFT) (2/6)

- **Workflow**

  - **Notification to Finance Committee:**
    - (Very) High level description of the scope of work, plus indication of the timing;
    - Also, indication of the origin of the companies which may be invited to respond (MS only, Chile, MS + USA, worldwide, else?);

  - **Involvement of the ILOs for building up the list of potential suppliers:**
    - Mandatory step for procurements > 150kEUR;
    - ILOs are provided with: a) a synopsis of the work to be tendered (User); b) required competencies (User + CP); and c) list of potential suppliers already known to ESO (CP + User);
    - ILOs have 3 weeks to respond;
    - CP consolidates the list of companies, NO down-selection at this stage.
Calls for tender (CFT) (3/6)

Preliminary Inquiry:

• Purpose: qualify/ select the recipients of the forthcoming CFT;
• Mandatory step for procurements > 150 kEUR, unless formally excused by the Head of Admin. (> 250 kEUR) or Head of CP;
• Relies on similar information to that provided to the ILOs (synopsis + qualification criteria), plus a clear definition of what we expect from the companies in their response;
• Companies have (typically) 3 weeks to respond;
• Separate evaluation by User and CP to establish qualification or not against the technical/managerial and the commercial qualification criteria, respectively;
• The result is a consolidated list of qualified companies:
  – Validated by the CAC for procurements > 500 kEUR;
  – Submitted for approval to the Head of Admin (>250 kEUR) or to the Head of CP otherwise;
  – No more than 5 companies per each MS.
Calls for tender (CFT) (4/6)

- **Contract Award Committee:**
  - Required for all CFTs with values > 150 kEUR;
  - Constituted of at least 3 members:
    - The CP officer in charge of the CFT (chair);
    - A member of the User Division, not responsible for the technical evaluation;
    - A (preferably truly) neutral 3rd member;
  - The CAC makes its recommendation:
    - To the DG for procurements > 250 kEUR;
    - To the Head of Admin otherwise.

- **Preparation, release and administration of the CFT:**
  - Mandatory technical auditing of the requirements for procurements with values > 500 kEUR, unless the Head of the User Division and the Head of CP have exceptionally agreed otherwise;
Calls for tender (CFT) (5/6)

• CP has the responsibility to consolidate the inputs and to release the CFT, and then is the sole interface with the tenderers;
• Companies have (typically) 6 weeks to submit their response.

➢ Tender Opening:
• Purpose: establish compliance with the administrative requirements of the CFT => recommendation to reject tenders at this stage, or to not evaluate all tenders received, require the approval of:
  – The Head of Admin for values > 250kEUR;
  – The Head of CP otherwise;
• Also, the CAC verifies at this stage that each panel has established clear evaluation criteria (preferably an evaluation matrix with a pre-defined grading system);
• All tenders accepted by the CAC are passed on for evaluation;
• Strict separation between technical and commercial evaluation => the members of personnel involved in the technical evaluation do not have access to prices.
Calls for tender (CFT) (6/6)

- **Tender evaluation:**
  - Questions for clarification/missing information are processed via CP;
  - The CAC reviews and consolidates the evaluation of both panels and makes its recommendation for the award (or else, e.g. failed CFT).

- **Placing of Contract:**
  - For values > 500 kEUR, the further approval (in addition to that of the DG) of the Finance Committee is required (only two opportunities per year, May or November, ......and work around solutions - e.g. FC approval via written procedure or extraordinary FC meeting - are rare).
Administration of Contracts

- Allocation of roles and responsibilities:
  - Users are responsible for the monitoring of the work (schedule and technical aspects);
  - CP deals with commercial/contractual matters, including contract amendments;
  - Contractors need to be made aware of the split roles within the ESO team (e.g. at a kick-off meeting);
- Changes (scope, deadlines, else) to a contract are formalized by CP via contract amendments: Users may not commit ESO to the change in anticipation;
Industrial Return

- No requirement for *juste retour*… but a strong expectation from all ESO Member States of an equitable distribution;

- Measured through each country’s *return coefficient*: ratio between the percentage of expenditures in an individual MS and the MS percentage contribution to the budget;

- Expenditures calculated on data collected from the Contractors re: the “origin of the supply”.
Industrial Return

- Additional efforts invested by the Management to increase awareness in the Member States of the procurement opportunities offered by ESO:
  - Close monitoring + regular reporting to the ESO Finance Committee;
  - Stronger involvement of the Industry Liaison Officers in identifying competent suppliers;
  - Increased programme of Industry days and networking events;
  - Update of the procurement rules.

- …also, pro-activeness of the Member States encouraged.
Contracts and Procurement

The main responsibility of the Contracts & Procurement Department is to perform price inquiries, preliminary inquiries, calls for tenders, assess the offers and tenders received for their commercial adequacy, coordinate the Contracts Award Committee, place and follow-up the purchase orders and contracts in conformity with the ESO policy.

For information or questions, please contact cpo@eso.org.

General Information
An Overview of the ESO Procurement Process
Industrial Liaison Officers Contact Details

The following documents govern the ESO procurement activities:

- General Conditions of Purchase Orders, Munich, May 2007
- General Conditions Governing Invitations to Tender and Tenders, Munich, May 2007
- General Conditions of ESO Contracts:
  - Version applicable as from 1 October 2011
  - Previous versions: Munich, December 2009
  - Munich, May 2007
- Conditions Governing Calls for Proposals and Contracts for the VLT Instrumentation, Munich, December 2009
  - Annex 1: General Conditions Governing Invitations to Tender and Tenders, Munich, May 2007
  - Annex 2: General Conditions of ESO Contracts, Munich, December 2009
  - Annex 3: Copy of the Protocol on the Privileges and Immunities of ESO
  - Annex 4: Policy for Guaranteed Time Observations (GTO)

Advance Information on forthcoming Calls for Tenders/Preliminary Inquiries exceeding 150,000 EUR
- Calls for Tenders / Preliminary Inquiries announced but not yet issued:
  This document lists all calls for tenders expected to exceed 150,000 EUR and/or, when applicable, the preceding Preliminary Inquiries which are scheduled to be issued to companies from the ESO Member States and other selected countries as indicated.
- Calls for Tenders / Preliminary Inquiries issued from previous Advance Information on forthcoming Calls for Tenders/Preliminary Inquiries (one year reference period).