SUPPLIER SELECTION METHODS

(Adapted from the NZTA Procurement Manual. More detailed guidelines for each supplier selection method are contained in the NZTA Procurement Manual and must be followed for NZTA projects). Where there is an inconsistency between this document and the NZTA manual, this document shall apply.

Introduction

The following supplier selection methods may be used, as appropriate, for Council procurement activities:

- direct appointment;
- lowest price conforming;
- purchaser nominated price (target price);
- weighted attribute;
- price quality; or
- quality based (Brook’s Law).

One of these supplier selection methods (excluding the weighted attribute method) shall be used when purchasing outputs for activities funded under s20 of the LTMA.

The lowest price conforming, weighted attribute and price quality supplier selection methods include competition on price. To ensure that price competition is fair those outputs which suppliers are asked to price must be very well specified. The risk of claims for works or services that were arguably not required will be high if the outputs that are to be priced are ambiguously described in the RFP/RFT.

Professional services are often very difficult to precisely describe and therefore any price competition has to be carefully managed. Accordingly, use of the lowest price conforming supplier selection method to select a professional services supplier may be relatively uncommon.

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<th>Direct Appointment</th>
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<td>Direct appointment is a supplier selection method in which the Council selects a single supplier and negotiates the contract terms, including price. Specific criteria and procedures are to be followed for NZTA subsidised contracts. However, the following procedures also apply for all other Council contracts where direct appointment is the selected option.</td>
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Using direct appointment

Direct appointment may only be used to select a supplier and establish a contract when:

1. The contract value is below the tender threshold, or
2. The supplier selection process commences, but only one potential supplier is identified, or
3. A monopoly supplier situation exists.
In all instances Tauranga City Council’s Procurement Policy must be followed.

**Negotiation**

Negotiate contract terms with the preferred supplier and establish a contract that is designed to obtain the best value for money. Negotiation is the basis for determining all contract terms, including price.

**Alternative proposals**

The negotiation process can accommodate any alternative proposals offered by the preferred supplier.

| Lowest Price Conforming | Lowest price conforming is a supplier selection method in which the preferred supplier meets all the requirements set out in the RFP/RFT and offers the lowest-priced tender, after deducting any added value premium. It is best applied when the output required is well specified. |

**Using lowest price conforming**

Lowest price conforming should be used where the Council determines that best value for money will be obtained by having suppliers compete on price alone and no premium for additional quality is warranted. The preferred supplier is the supplier that offers the lowest price and meets all the minimum requirements, including quality, as set out in the RFP/RFT.

**Tender evaluation procedure**

When selecting a supplier using the lowest price conforming method, the tender evaluation procedure below shall be used.

**Step 1** Rank tenders in ascending order based on price.

**Step 2** Evaluate all tenders (except for alternative tenders).
- Commence with the lowest-priced tender.
- Determine that the tender is within the RFP/RFT’s scope and requirements.
- Evaluate each non-price attribute on a pass or fail basis.
- Reject (exclude from further consideration) any tender that fails against an attribute.
- Cease evaluating tenders when the first conforming tender is identified.

**Step 3** Evaluate alternative tenders.
- Evaluate all alternative tenders (regardless of price) in accordance with the second, third and fourth bullets under step 2.
- The NZTA Procurement Manual (sections 10.16 and 10.17) provides further guidance on the evaluation of alternative tenders and added value premiums.

**Step 4** Identify the preferred supplier.
- The preferred supplier is the supplier that presents the tender that is within the RFP/RFT’s scope and requirements, passes on all non-price attributes and has the lowest price after deducting any added value premium (if applicable).
Guidelines for tender evaluation

Guidelines on the selection and evaluation of non-price attributes are set out later in this Appendix and more detail is provided in the NZTA Procurement Manual.

A two-envelope system may be used involving the evaluation of the non-price attributes of each tender before opening the price envelopes, if the extra time and effort required is considered to be beneficial.

Alternative tenders

Lowest price conforming can accommodate alternative tenders.

Negotiation

Council may negotiate with the preferred supplier, providing any negotiations are carried out in accordance with the RFP/RFT’s requirements.

| Purchaser Nominated Price (Target Price) | Purchaser nominated price is a supplier selection method where the Council fixes the price to be paid and advises this through the RFP/RFT. Tenders must meet the requirements of the RFP/RFT and are evaluated on the basis of quality only. |

Using purchaser nominated price

Purchaser nominated price should be used where the Council requires outputs that are difficult to specify but it has determined a price that it is prepared to pay for those outputs and described the desired outcome (in the RFP/RFT). Best value for money is then obtained by selecting the supplier that provides the best tender for the price set out in the RFP/RFT.

The best tender will be determined on the basis of the non-price attributes of the supplier and any differences that the competing suppliers offer in terms of quality or quantity of output.

This method is typically used for such activities as strategy studies, feasibility studies, transportation studies and investigations.

Tender evaluation procedure

When selecting a supplier using the purchaser nominated price method, the following tender evaluation procedure shall be used.

Step 1 Evaluate tenders.
- Determine that the tender is within the RFP/RFT’s scope and requirements.
- Grade each non-price attribute for each tender from zero to 100, in steps of five.
- Reject (exclude from further consideration) any tender that fails against an attribute.
- Multiply the weight (specified in the RFP/RFT) by the grade for each non-price attribute and divide by 100. The result is the index for each non-price attribute.
Add all the indices for each tender. The result is the weighted sum of the non-price attribute grades.

**Step 2** Identify the preferred supplier.

- The preferred supplier is the supplier that presents the tender that is within the RFP/RFT’s scope and requirements, passes on all non-price attributes and has the highest weighted sum of the non-price attribute grades.

**Guidelines for tender evaluation**

The purchaser nominated price method is not recommended for physical works or routine professional services engagements.

**Alternative tenders**

When the purchaser nominated price method is used, all tenders are in effect alternative tenders. However, their evaluation will be based on grading the non-price attributes described in the RFP/RFT alone.

**Negotiation**

Council may negotiate with the preferred supplier, providing any negotiations are carried out in accordance with the RFP/RFT’s requirements. However, any negotiations that led to a decision to let a contract for a price other than the price nominated in the RFP/RFT would destroy the integrity of this method.

| Weighted Attribute | The weighted attribute method seeks to balance the trade off between price and quality. Under this model, the price and non-price attributes are weighted to reflect their relative importance for achieving the procurement outcome (e.g. a cleaning or maintenance contract where service delivery methodology and price are the key attributes for achieving best value for Council, so receive higher weightings). The quality attributes of suppliers whose tenders meet the RFP/RFT’s requirements are graded, and the preferred supplier is selected by balancing price and quality through the use of a formula. |

**Using weighted attributes**

Weighted attributes should be used where the Council determines that best value for money will be obtained by having suppliers compete on both price and quality and selecting the supplier that offers the best combination of the two. Note that the weighted attribute method is not available for outputs funded under s20 of the LTMA.

**Tender evaluation procedure**

When selecting a supplier using the weighted attribute method, the following tender evaluation procedure shall be used.
Separation of non-price and price information

Tenders must be submitted in two separate envelopes. Envelope 1 must contain all tender information, other than the price. Envelope 2 must contain the price information. Steps 1–5 below must be completed before opening Envelope 2.

Step 1  Grade the non-price attributes.
- Open Envelope 1.
- Determine that the tender is within the RFP/RFT’s scope and requirements.
- Grade each non-price attribute for each tender from zero to 100, in steps of five.
- Reject (exclude from further consideration) any tender that fails against an attribute.

Step 2  Calculate the price grade.
- Open Envelope 2.
- Convert the total price (excluding provisional sums) to a grade using this formula:

$$\text{Price grade} = \left( \frac{\text{median conforming tender price} - \text{tender price}}{\text{median conforming tender price}} \right) \times 100 + 50$$

Step 3  Identify the preferred supplier.
- Multiply the weight (specified in the RFP/RFT) by the grade for each non-price attribute and divide by 100. The result is the index for each non-price attribute.
- Calculate the index for each evaluation criterion in each tender. This is done by multiplying the respective tender grades by the corresponding weighting factors given in the RFP/RFT.
- Sum the indices for each of the tenders and round them off to the nearest whole number.
- Select the tender with the highest index as the preferred tender.
- Where more than one tender shares the top overall index, the preferred supplier is the tenderer with the lowest price.

The preferred supplier is the supplier that presents the tender that is within the RFP/RFT’s scope and requirements, passes on all non-price attributes and has the highest total index.

Guidelines for tender evaluation

This is a commonly used supplier selection method and one that can be applied to a variety of procurement activities.

Use of the weighted attribute method

The use of the weighted attribute method is limited to staff who fully understand how the method works. Care needs to be taken in the selection of attributes, the assignment of weightings and the grading of tenders. The evaluation team should be led by someone experienced in this method of evaluation.

The balance between price and non-price attributes should be based on:
- the potential variability in the quality of the goods, services or works;
- the importance of quality versus price.
Use of the simplified weighted attribute method for contracts valued at below $150,000 is permitted. The simplified weighted attribute method is identical to the weighted attribute method except it uses only one envelope with the consequent removal of the envelope actions in steps 1 & 2 above.

| Price Quality | Price quality is a supplier selection method where the quality attributes of suppliers whose tenders meet the RFP/RFT’s requirements are graded and the preferred supplier is selected by balancing price and quality through the use of a formula. For NZTA projects this method replaces the weighted attribute method. |

**Using price quality**

Price quality should be used where the Council determines that best value for money will be obtained by having suppliers compete on both price and quality and selecting the supplier that offers the best combination of the two.

The process to determine how much more to pay for additional quality must be clearly shown.

**Tender evaluation procedure**

When selecting a supplier using the price quality method, the following tender evaluation procedure shall be used.

**Separation of non-price and price information**

Tenders must be submitted in two separate envelopes. Envelope 1 must contain all tender information, other than the price. Envelope 2 must contain the price information. Steps 1–5 below must be completed before opening Envelope 2.

**Step 1** Grade the non-price attributes.
- Open Envelope 1.
- Determine that the tender is within the RFP/RFT’s scope and requirements.
- Grade each non-price attribute for each tender from zero to 100 in steps of five.
- Reject (exclude from further consideration) any tender that fails against an attribute.

**Step 2** Calculate the weighted sum margin.
- Multiply the weight (specified in the RFP/RFT) by the grade for each non-price attribute and divide by 100. The result is the index for each non-price attribute.
- Add all the indices for each tender. The result is the weighted sum of the non-price attribute grades.
- Deduct the lowest weighted sum from each tender’s weighted sum. The result is the weighted sum margin for each tender.

**Step 3** Calculate the supplier quality premium.
- Calculate the supplier quality premium for each tender using the following formula:

  \[
  \text{Supplier quality premium} = \text{estimate} \times \left(\frac{\text{weighted sum margin}}{\text{price weight}}\right)
  \]
• The estimate used in the formula must exclude any amount fixed by the Council, such as any provisional sums contained within the schedule of quantities.
• The estimate used in the supplier quality premium formula must be included in the RFP/RFT to ensure that the process is transparent.

Step 4  Confirm the supplier quality premium.
• Review the supplier quality premium calculated for each tender.
• Confirm that the supplier quality premium for each tender represents the amount more that the Council is prepared to pay for a higher-quality supplier.
• Replace any supplier quality premium with an acceptable figure if the review shows that any supplier quality premium does not represent the extra amount that the Council is prepared to pay.
• Confirm the new figure.

Step 5  Calculate the added value premium.
• Calculate the supplier quality premium for alternative tenders by following steps 1–4 above.
• Calculate the added value premium for each alternative tender by following the method set out in section 10.17 of the NZTA Procurement Manual.

Complete steps 1–5 before opening Envelope 2.

Step 6  Identify the preferred supplier.
• Open Envelope 2.
• Deduct each tender’s supplier quality premium and each alternative tender’s added value premium from the price.

The preferred supplier is the supplier that presents the tender that is within the RFP/RFT’s scope and requirements, passes on all non-price attributes and has the lowest price less supplier quality premium and less any added value premium.

Guidelines for tender evaluation

Rules and guidelines on the selection and evaluation of non-price attributes are set out later in this Appendix and more detail is provided in the NZTA Procurement Manual.

Use of the price quality method

The use of the price quality method is limited to managers who fully understand how the method works. The choices made will influence the tender evaluation outcome because of their impact on the supplier quality premium values – the amount more that the purchaser is prepared to pay for a higher quality tender.

Supplier quality premiums are influenced by:
• the price estimate
• chosen non-price attributes
• how the non-price attributes are graded (the spread of grades)
• weights given to the non-price attributes
• weight given to price.
All impact on the supplier quality premiums, but the most significant impact typically arises from the weight given to price. Accordingly, the price weight should generally be between 25 and 70%.

Supplier quality premium values must not be adjusted for an arbitrary or irrelevant reason. Adjustment will in most instances be viewed by suppliers as an admission by the Council that some aspect of the procurement procedure design was wrong. For example, when a decision is made to adjust all values by a fixed percentage, this will be seen as an admission that the chosen price weight was wrong.

Council shall advise each tender submitter of the value of their supplier quality premium, and how it differed from the preferred supplier's supplier quality premium.

**Alternative tenders**

Price quality can accommodate alternative tenders. When using price quality for professional services, true alternative tenders are unlikely to be received. In most cases, professional services tenders are in effect all alternatives.

**Negotiation**

Council may negotiate with the preferred supplier, providing any negotiations are carried out in accordance with the RFP/RFT's requirements.

| Quality Based (Brook's Law) | Quality based is a supplier selection method where the quality attributes of suppliers whose tenders meet the requirements of the RFP/RFT are graded and the preferred supplier is selected solely on that basis. A price is then negotiated with the preferred supplier, based on their price proposal. |

**Using quality based**

Where the scope of the outputs (works or services) cannot be fully described, competition on price may not help to obtain best value for money. The quality based method should be used where the Council determines that best value for money will be obtained by selecting the supplier on the basis of supplier quality alone. There is no competition on price. Negotiation will take place with the supplier who has the highest overall index, to achieve the best value for Council (e.g. selecting an architect for a design project).

It is expected that the use of this method within Council will be rare.

The quality based method is an advanced component of the NZTA Procurement Manual where the output being purchased is anything other than professional services. As an advanced component, Council must have the NZTA's prior written approval under s25 of the LTMA for its use on NZTA funded projects.

**Tender evaluation procedure**

When selecting a supplier using the quality based method, the following tender evaluation procedure shall be used.
Separation of non-price and price information

Tenders must be submitted in two separate envelopes. Envelope 1 must contain all tender information, other than the price. Envelope 2 must contain the price information. Council staff must complete steps 1–3 before opening Envelope 2.

**Step 1** Grade the non-price attributes.
- Open Envelope 1.
- Determine that the tender is within the RFP/RFT’s scope and requirements.
- Grade each non-price attribute for each tender from 0-100.
- Reject (exclude from further consideration) any tender that fails against an attribute.

**Step 2** Calculate the weighted sum.
- Multiply the weight (specified in the RFP/RFT) by the grade for each non-price attribute and divide by 100. The result is the index for each non-price attribute.
- Add all the indices for each tender. The result is the weighted sum of the non-price attribute grades.

**Step 3** Identify the preferred supplier.
- The preferred supplier is the supplier that has the highest weighted sum of the non-price attribute grades.

**Step 4** Negotiate with the preferred supplier.
- Open the preferred supplier’s Envelope 2 and enter into price negotiations.
- Negotiation must be conducted in accordance with the RFP/RFT and any contract let must be within the scope of the RFP/RFT.
- If agreement cannot be reached with the preferred supplier, that tender must be rejected. The supplier that has the next highest weighted sum of the non-price attribute grades is then the preferred supplier – begin step 4 again with the new preferred supplier.
- When a contract is awarded, the unopened Envelope 2 from each supplier that did not take part in the final negotiation process must be returned.

**Guidelines for tender evaluation**

Rules and guidelines on the selection and evaluation of non-price attributes are set out later in this Appendix and more detail is provided in the NZTA Procurement Manual.

Under this method, price is typically negotiated with the preferred supplier before a contract is let. This method can also be used to establish a price mechanism, rather than a price.

Prior to determining a price, it is necessary to establish an agreed scope of output. This must be communicated to all suppliers before the suppliers responding to the RFP/RFT present their price tenders (Envelope 2). If the agreed scope of the outputs is not communicated there is a risk that the Council and suppliers will form different views of what is required.

To address this issue, each RFP/RFT must include a statement of the expected scope of the required outputs and estimated price. Suppliers responding to the RFP/RFT should be encouraged to comment on the accuracy of the scope and price.
statement prior to the closing date for RFP/RFT submission so that refinements can be made if necessary.

A staged approach to supplier selection is recommended with this method. Council would then establish a short list of at least three suppliers and then enter into a formal dialogue with those suppliers (individually or collectively or both) to refine the scope and price statement before the price tenders (Envelope 2) are submitted.

A well prepared expected scope of the outputs and estimated price statement, along with benchmarking against similar engagements will increase the Council’s confidence that the price is reasonable. Open book accounting can also be used to achieve price confidence when this method is used to establish a price mechanism (rather than a price).

Alternative tenders

Alternative tenders cannot be accommodated with the quality based method. All tenders are in effect alternative tenders.

Negotiation

Negotiation plays a major role in obtaining value for money under the quality based method. Managers using this method need to be clear about their requirements and know what a reasonable price should be so that they can negotiate on an informed basis. Whole-of-life costs should also be considered for the activity when negotiating on price.

Rules for use of non-price attributes

As a minimum the following three non-price attributes shall normally be used for RFT/RFP’s where attributes are sought:

- relevant experience
- relevant skills
- methodology.

Exceptions include instances where these attributes may have already been sought in an earlier process – an ROI for example.

Additional non-price attributes may also be used to evaluate tenders, including:

- track record
- resources
- financial viability.

Over and above these attributes it is allowable to add further bespoke attributes to enhance the selection process and obtain better value for money. See NZTA Procurement manual 10.14.

Tenders that fail on the evaluation of any non-price attribute or score below a nominated grade for any non-price attribute shall be failed.

The RFP/RFT must describe the non-price attributes to be used in the tender evaluation. The descriptions must be specific to the outputs for which tenders are
sought, must explain what the purchaser values in each attribute, and must be consistent with the attribute definitions in this document.

The RFP/RFT must explain how each non-price attribute will be evaluated, including stating which attributes will be evaluated on a pass or fail basis alone and which (where the supplier selection method allows) will also be graded (given a points grade between 0 and 100).

The RFP/RFT must explain when Council will reject a tender for either failing on the evaluation of any non-price attribute or scoring below a nominated grade for any non-price attribute.

The RFP/RFT must give the numerical weight to be applied to each of the non-price attributes that are to be graded.

When the supplier selection method used requires that any attribute (non-price or price) be given a weight, the sum of all weights (non-price and price) must be 100.

Non-price attribute definitions

The following non-price attributes, as defined in the NZTA Procurement Manual, are:

A. Required

- relevant experience – the supplier’s previous experience in technical areas relevant to the outputs being purchased
- relevant skills – the competence of the personnel that the supplier proposes to use, with particular regard to their skills and experience in areas relevant to the outputs being purchased
- methodology – the procedures the supplier proposes to use to achieve the specified end result

B. Optional

- track record – the supplier’s record of delivering works or services to the quality standards required, on time and within budget
- resources – the equipment, including facilities and intellectual property, that the supplier proposes to use to deliver the outputs
- financial viability – the supplier’s ability to access the financial resources required to deliver the outputs to be purchased.

Each of these is described in further detail below.

Relevant experience and track record

These two attributes should not be confused. Track record does not have to be demonstrated in delivering the types of works or services similar to those for which tenders are sought – it is simply about the reputation of the supplier for ‘delivering’. Relevant experience on the other hand is about experience that is ‘relevant’ to the works or services.

There is also a difference in focus on who must have the experience and who must have the track record. For track record, it is the track record of the supplier that is
important; with relevant experience, both the supplier and the personnel that will
deliver the works or services should be considered.

Track record is not one of the three required non-price attributes but, in many
instances, it will be an essential attribute and a supplier’s reputation for delivery will
effectively be a prerequisite for selection.

Relevant skills

In some instances, the nature of the works or services to be delivered will suggest
that relevant skills should be split into two – technical skills and management skills.
Where this is done, the above definition for relevant skills will still apply but the
descriptions of the two attributes in the RFP/RFT will reflect the purchaser’s desire to
consider these two skill areas separately.

Methodology

Unlike the other non-price attributes, methodology focuses primarily on the output to
be supplied and on how the supplier proposes to deliver that output. Other attributes
focus more on the characteristics of the supplier and on the resources (including the
human resources) that are to be employed to deliver the output.

Resources

Given the definition of resources as the equipment that the supplier proposes to use,
this non-price attribute is not usually included when tenders for professional services
alone are being sought.

Financial viability

Information may be sought on the financial viability of potential suppliers and tenders
that fail to meet criteria set out in an RFP/RFT may be rejected. The financial viability
of potential suppliers may be reviewed to assess their ability (and the ability of any
significant subcontractors) to remain viable through the contract period. The
objective is to determine whether a supplier has the financial capability and capacity
to establish and manage the contract, including any change requirements.

Application

The importance of relevance

When evaluating tenders, it is important to consider how a potential supplier’s tender
is relevant to the nature of the output to be purchased. For example, where an output
can be delivered by personnel with a relatively modest level of skills and experience,
awarding a higher grade for a non-price attribute because a supplier is offering
personnel whose skills significantly exceed the minimum required may not be
justified.

Rejecting a tender through a ‘fail’ on a non-price attribute

It is standard practice to establish through the RFP/RFT that any tender may be
rejected at the sole discretion of the purchaser. In addition, the above rule refers to
the need to establish, through the RFP/RFT, that a ‘fail’ on a non-price attribute will
be a sufficient reason to reject a tender.
Rejecting a tender through failure to meet a minimum required standard

It is also important to clearly establish in the RFP/RFT what features of a tender will make it unacceptable or ‘non-conforming’ and result in its rejection. Where a tender must meet certain minimum standards (e.g. where a supplier must be certified as meeting a particular quality standard) or an input must meet a particular standard specification, then this must be made clear to prevent potential suppliers from investing effort in preparing a tender when that supplier cannot meet the required minimum standard.

Selecting non-price attributes

Three attributes (relevant experience, relevant skills and methodology) must be used as a minimum. However, other attributes, including the optional attributes listed above may be added, but only when they will enhance the supplier selection process and help to obtain better value for money.

Where the supplier selection method allows grading of the non-price attributes, Council must decide whether each attribute should be evaluated on the basis of pass or fail only or whether they should be graded.

Adding relevant non-price attributes that are to be evaluated on a pass or fail basis only is sensible where Council simply wishes to ensure that a potential supplier meets a given minimum standard. Adding attributes that are also to be graded must be considered more carefully. A large number of attributes (or sub-attributes) that are to be graded tends to lead to a reduced range of the weighted sums of the non-price attribute grades and a reduced degree of ‘separation’ of tenders.

Setting non-price attribute weights

Appropriate attention must be given to setting the weights for the non-price attributes. They impact on the outcome of the tender evaluation process by establishing the relative importance of the non-price attributes that are to be graded. Weights must be advised through the RFP/RFT.

Grading scale for non-price attributes

A scale of 0 to 100 is used when grading non-price attributes. Grades shall be awarded in steps of five in accordance with the following grading scale.

90, 95 or 100  Demonstrates exceptional compliance or ability to convey exceptional provision of the requirement

75, 80 or 85  Requirements are fully covered in all material aspects

60, 65 or 70  Requirements are adequately covered

50 or 55  Adequate, with some deficiencies that are not likely to have any adverse effect

40 or 45  Barely adequate and would need considerable improvement in this attribute, if selected
Price and price weight

The price quality method of supplier selection uses a price weight. It balances (or trades off) price and quality by use of a formula. It enables the Council to pay more for a high-quality supplier. It is a sensible method to use when the quality of the supplier is important and a trading of price and quality is practically possible through the supplier selection process.

Rules

1. The price to be used in the supplier selection process must be defined in the RFP/RFT.
2. When using the price quality supplier selection method, the price weight shall generally be set within the range of 25 to 70.
3. When using the price quality supplier selection method, the RFP/RFT must give the weight to be applied to price.
4. When the supplier selection method used requires that any attribute (non-price or price) be given a weight, the sum of all weights (non-price and price) must be 100.

Defining price

Typically, the price used in the supplier selection process is the unmodified price taken from each tender. However, in some situations the proposed price will be modified before it is used in the supplier selection process.

For example, where the supplier is to be paid an initial sum and over a period of years further amounts (e.g. for the maintenance or operation of an asset), then it may be appropriate to discount the later payments to give a net present value to be used in the supplier selection process.

Whenever tender prices are modified in any way by the supplier selection process, the description of that process must be made clear in the RFP/RFT.

The influence of price weight on supplier quality premium

The impact of using a different price weight can be substantial. Supplier quality premium values when using a price weight of 10 are 21 times as large as those calculated when using a price weight of 70 (all other things being equal). More detailed guidance is provided under section 5.4 of the NZTA Procurement Manual.

The effect of price weight on a supplier’s decision to enter a competition

A supplier’s decision to enter (or not enter) a competition is likely to be strongly influenced by the price weight advised in the RFP/RFT.

Suppliers who have a higher price structure but offer a higher quality of service will sometimes choose not to compete when the price weight is relatively high, recognising that their chances of winning against a supplier with a lower price structure are small. Conversely, when the price weight is high, suppliers who prefer to compete on price alone (rather than on quality) will be encouraged to enter the competition.
Alternative to a low price weight

If quality is a primary consideration and the proposed price weight is therefore less than 25, the quality based supplier selection method should be considered. There is a risk with a low price weight that the Council will pay more to engage a high-quality supplier than it would if the price were negotiated.

The quality based supplier selection method also gives great flexibility through the negotiation process to tailor the contract, including the price methodology, between the purchaser and the supplier. The resulting contract is therefore more likely to enable the purchaser to obtain best value for money.

Alternatives to a high price weight

If the price is of paramount concern, and the proposed price weight is 60 or 70, the lowest price conforming supplier selection method should be considered. To ensure that the supplier engaged will deliver a quality output and meet the required quality standards, the RFP/RFT should set out the minimum quality standards for the supplier and for the output to be delivered.

Testing the chosen price weight

Options should be tested before confirming a price weight. This will help Council to avoid an unanticipated range of supplier quality premium values. This can often arise when using the price quality method in unfamiliar circumstances or choosing a price weight with which the Council has had no previous experience.

Grades awarded for non-price attributes in previous evaluations (or mock grades for fictional suppliers) can be used to generate supplier quality premiums for the purpose of testing. Managers can then assess whether the premiums generated would be acceptable.