

Legislative Council Panel on Transport
Subcommittee on matters relating to railways

KOWLOON-CANTON RAILWAY CORPORATION
TENDER EVALUATION CRITERIA FOR RAILWAY CONTRACTS

GENERAL TENDER EVALUATION CRITERIA

The Corporation has clear and detailed rules governing its procurements, including procurement by tendering, and these conform with the World Trade Organisation's Agreement on Government Procurement (WTO GPA). These rules require a Tender Evaluation Plan (TEP) to be approved by the Corporation's Corporate Tender Board in respect of tenders to be invited for major railway contracts. This must be done before tenders are invited. The TEP sets out evaluation criteria which, in general, cover the following main areas -

- (a) the tenderers' technical proposals, i.e. whether the offers meet the technical specifications;
- (b) the financial capability of the tenderers;
- (c) the degree of contractual compliance; and
- (d) the reasonableness of the tender prices.

The tendering regime of the Corporation has been exhaustively and accurately described in the Ernst and Young Report, which was published on 16 May 2002, and which was put before the Railways Sub-Committee of the LegCo Transport Panel on the same day. The Report says clearly that the Corporation's project and procurement practices compare favourably with industry norms and best practices.

2. In general terms, these four areas can be assessed under two main aspects, namely, technical and financial.

3. The technical evaluation comprises criteria designed to determine whether tenderers' submissions meet the specifications laid down in the tender documents. These criteria take into account –

- (a) delivery/completion;
- (b) quality of goods or construction offered;
- (c) design/methods proposed;
- (d) maintenance and spare parts provision (in E&M contracts);
- (e) warranties and/or guarantees; and
- (f) the technical capability of tenderers and their past performance.

Appropriate weights are assigned to each criterion for the determination of an overall score.

4. The financial aspect comprises two parts, namely, the tenderers' financial capability and the prices they have offered. The financial capability of tenderers is assessed with the aim of evaluating their capability to fulfill their obligations under the proposed contract. In general, this assessment would take into account the tenderers' –

- (a) shareholders funds;
- (b) profitability;
- (c) working capital;
- (d) gearing; and
- (e) contingent liabilities.

5. For procurements where the tender specifications are well defined and tenderers are required to meet pre-determined minimum standards, a simple pass/fail system is used in technical evaluation. Those tenders which have earned a pass become conforming tenders. The contract is then awarded to the lowest-priced conforming tender, all prices being reckoned in terms of net present value.

6. Additionally, for those procurements where the product or construction have to meet stringent design, delivery, programme and other

requirements with a high degree of certainty, the Corporation's rules require a technical/price weighting approach to be adopted to determine the overall ranking of tenders. In the case of such contracts, awards are made to those tenders which have earned the highest combined score.

CONSIDERATIONS ON USE OF TECHNICAL/PRICE WEIGHTING FOR CONTRACT LDB-201

7. Given the need to complete the Lok Ma Chau Spur Line as soon as possible, the engineering complexity of the project, the criticality of its interface with East Rail, and the very onerous requirements of the Environmental Permit, the LDB-201 contract clearly required assessment under the system described in paragraph 6.

8. At the Corporate Tender Board meeting held on 8 May 2002, consideration was given to the relative weight of the technical and financial aspects of the LDB-201 contract. The Board took due note of the Standard Marking Scheme for the Government's procurement of public works, which was introduced by the Works Bureau in May 2002, and decided to use a 50% : 50% technical/price weighting for the Tender Evaluation Plan of Contract LDB-201, having regard to the following factors –

- (a) the Environmental Permit conditions and ecological sensitivity of the area above the tunnel alignments, which demand a very high standard of compliance and control on the part of the contractor;
- (b) any failure to apply the necessary management and technological skills resulting in contravention of the permit conditions would put the project at risk of being stopped by the Director of Environmental Protection; and
- (c) the importance of completion by mid-2007 or earlier, which demands that the contractor must be committed to applying design skills and tunnelling resources of the very highest order throughout the project.

9. In addition, a tender would not become technically conforming unless it achieved an overall pass, and at least a satisfactory score under the following two criteria, namely –

(a) tenderer's Method Statements, Construction and Tunnel Boring Machine proposals; and

(b) compliance with the Environmental Permit conditions.

10. The Tender Evaluation Plan for contract LDB-201 was noted by the Managing Board of the Corporation at its meeting on 21 May 2002.

Kowloon-Canton Railway Corporation
14 November 2002