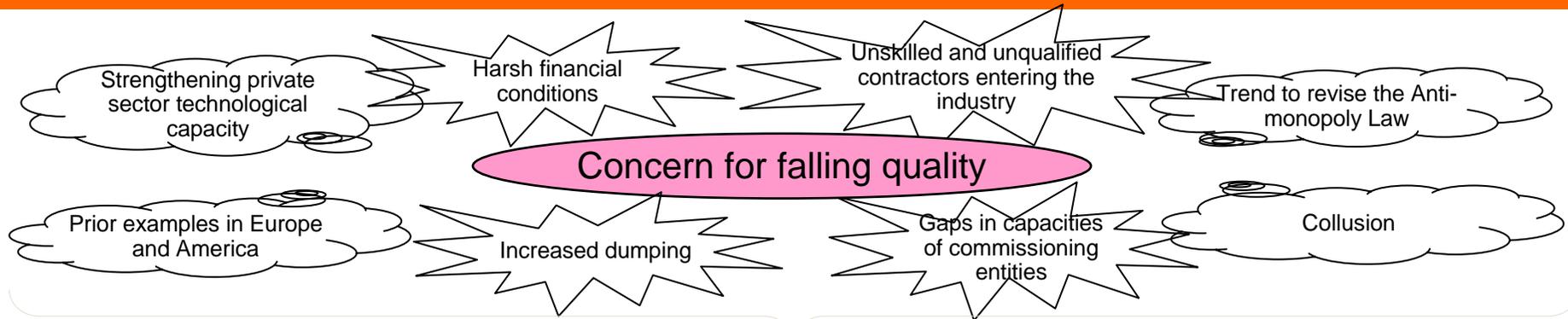


Establishment of the Act For Promoting Quality Assurance in Public Works



Act for Promoting Quality Assurance in Public Works: enacted March 31, 2005

1. Clarifies fundamental principles and responsibilities of commissioning entity concerning ensuring quality of public works.

2. Replaces “competition solely through price” with “comprehensively superior procurement based on price and quality”

3. Clarification of means of supporting commissioning entities.

Clearly states: Quality of public works shall be ensured by entering into contracts comprehensively stipulating superior price and quality (Article 3 paragraph 2)

- Examining items concerning work experience, technological capacity (Article 11)
- Tender requesting technical proposals (Article 12)
- Technical proposals can be improved (Article 13)
- Ceiling price prepared according to results of examination of technical proposals (Article 14)

Support of commissioning entity through external support (Article 15)

Based on the Basic Guideline Enacted by the Government, each commissioning entity takes necessary measures (Article 9)

Comprehensive Evaluation Method
and Quality Assurance Act

Conventional

Competition only in price

Importance of ensuring and
improving quality of public works is
reconfirmed

Conversion

Comprehensive Evaluation Method

Contracts with superior contents including price and quality considering diverse elements other than price while paying attention to economic efficiency

Act for Promoting Quality Assurance in Public Works
(Quality Assurance Act: enforced April 2005)

Overseas Trends

Even overseas, competition solely by price is being replaced by competition including technology and quality

US

- Switch to “Best Value” since 1994
- Full-scale introduction of the “Competitive Negotiation Method in 1997

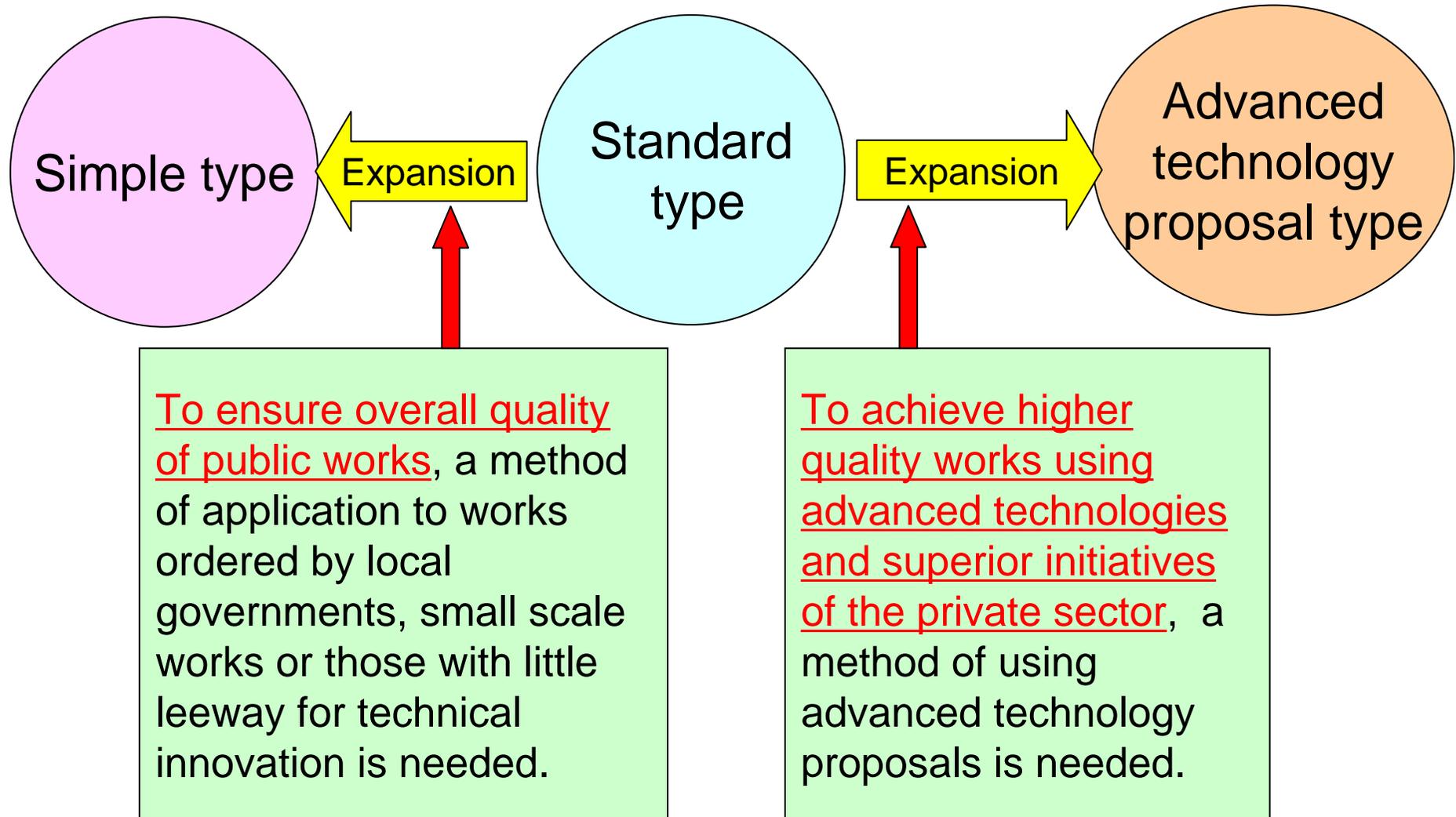
France

- Revision of Public Contract Law in 2001
- Abandonment of price only competition and introduction of comprehensive evaluations

EU

- Revision of EU Directives in April 2004
- Introduction of the Competitive Negotiation Method

Comprehensive Evaluation Method



What is Quality in the Comprehensive Evaluation Method?

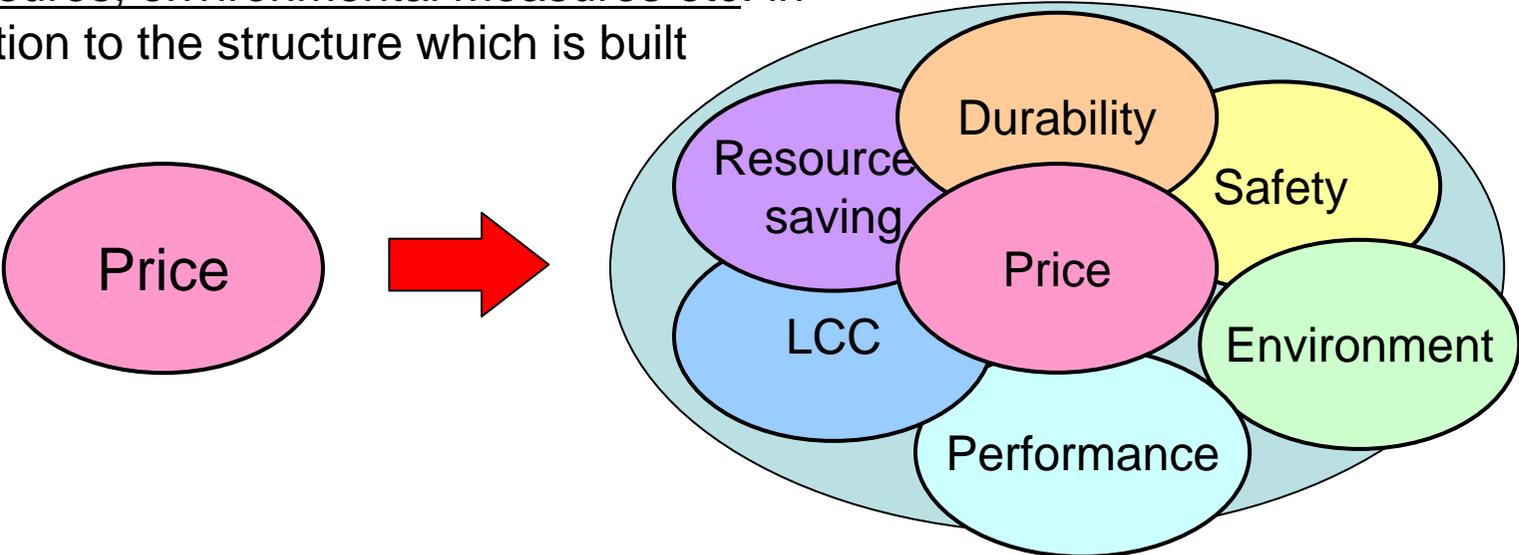
Past price competition

Contract given to company able to perform work in a range which will satisfy the specifications presented by the commissioning entity for the lowest price.

Comprehensive Evaluation Method

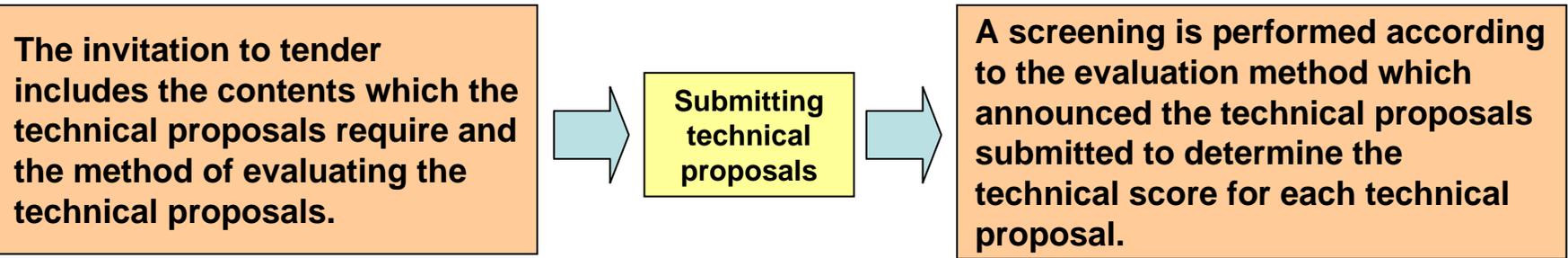
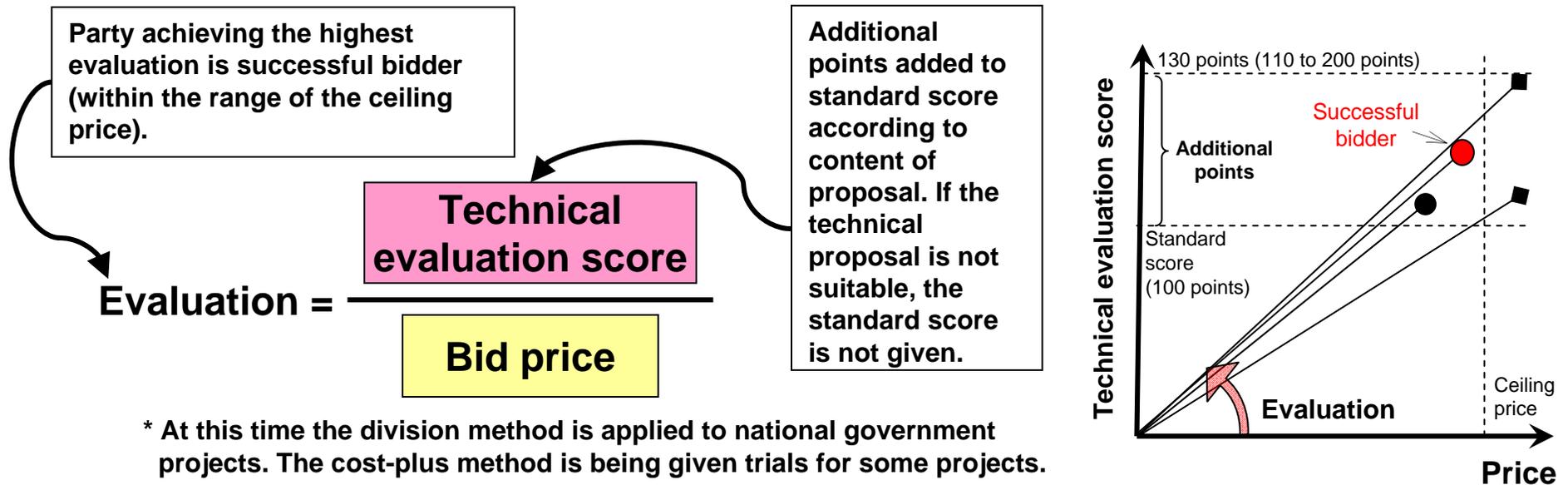
Contract given to company which can execute the best possible work, as determined by a comprehensive evaluation of quality and price of the work which it provides.

* Quality of work includes execution method, safety measures, environmental measures etc. in addition to the structure which is built



2. Outline of the Comprehensive Evaluation Bidding Method (Work)

Method of **selecting successful bidder by comprehensively evaluating price plus elements other than price** such as work period, functions, safety etc.



Bidder selection standards

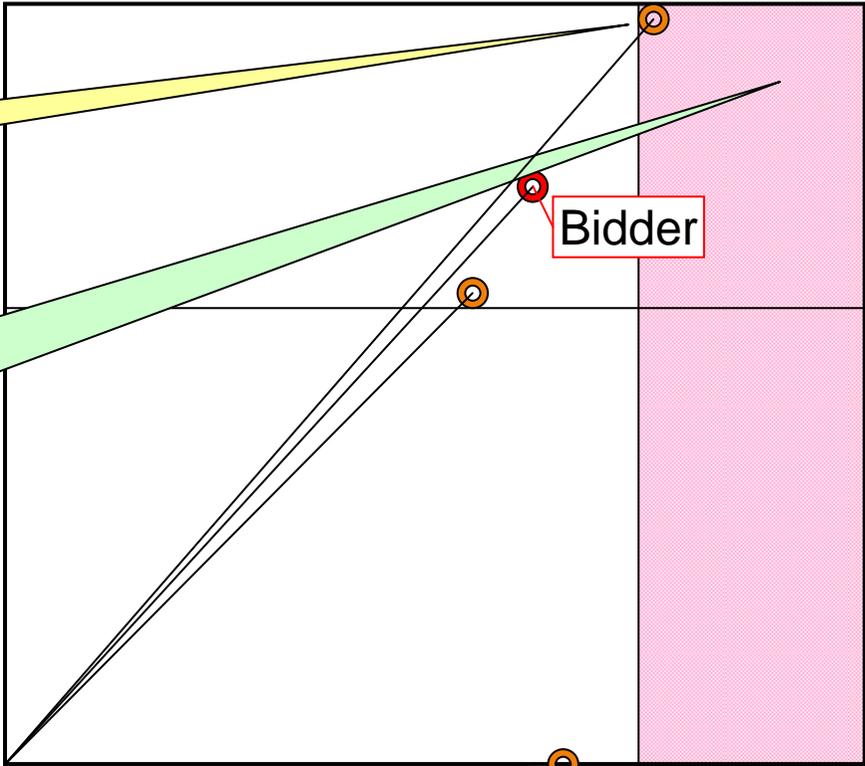
Technical evaluation score

Bid price within range of ceiling prices.

Standard score = 100

Comprehensive evaluation value is highest
(Evaluation of bid price and technical documents)

Satisfies minimum conditions set for each evaluation item



ceiling price

Value of bid

Evaluating and utilizing technical capacity in public works

Leeway for technical innovation = small

Leeway for technical innovation = large

Price competition

Simple type

Standard type

Advanced technology proposal type

Qualified parties list
Competition participation qualification examination

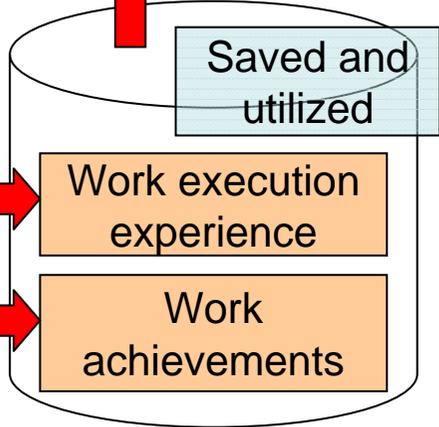
Technical examination by individual work
Experience of contractors and technicians who will be assigned with identical or similar work

Examination and evaluation of technical proposals
Experience and past achievements of contractors and technicians who will be assigned with identical or similar work

Receiving order and completing work

Evaluation of work achievements

Reflected in screening and evaluations for ordering



Anticipated Effects of Introducing the Comprehensive Evaluation Method

Work quality can be ensured and improved by execution by a person with technical skills.

- Improving performance of object of the work
- Prolonging lifetime, cutting maintenance, and preventing defective execution, thereby reducing overall costs.
- Traffic congestion measures and environmental measures
- Early discovery of project effects, etc.

Private companies compete technologically, boosting motivation and nurturing a sound construction industry with superior technology and management.

Creation of an environment where collusion is difficult through competition considering diverse elements other than price.

Simple Comprehensive Evaluation Method

Characteristics

Evaluating the technological strength of contractors is expected to ensure **appropriate and reliable work** by a superior contractor.

Evaluating a simple execution plan or past work performance etc. forms a virtuous cycle linking conscientious and good quality work to the next project.

Simple procedure widely applicable to work with little leeway for technical innovation.

Perspective of simple type technological evaluations

Technological strength of companies

Simple execution plan

Execution performance of companies (similar work performance, work achievements)

Capability of technicians expected to be assigned (performance, qualifications, and work achievements)

“ (interviews as necessary)

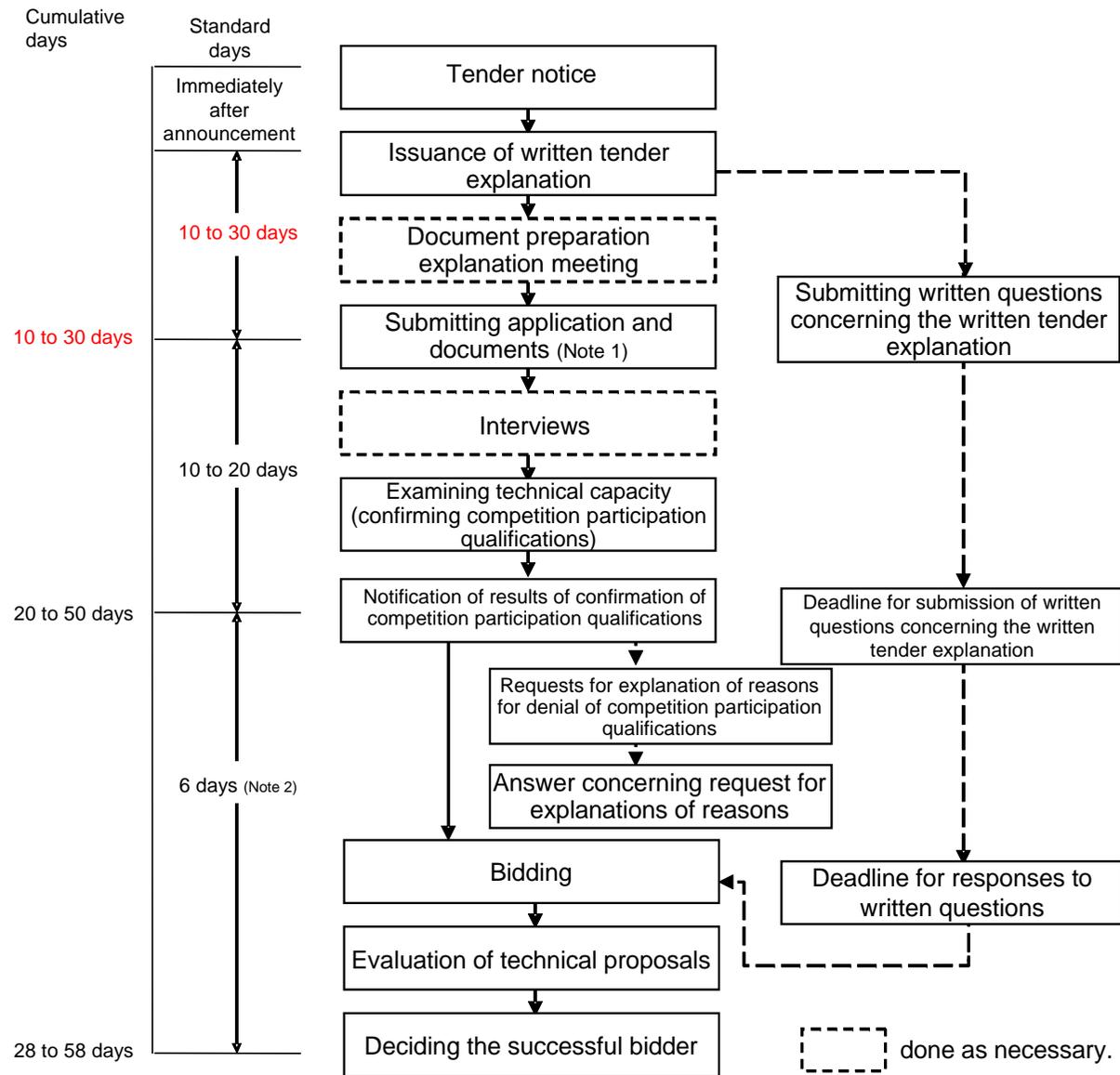
Reliability and social contribution of companies

Familiarity with the region (execution performance etc. in the region)

Company's contribution to the region (Performance under disaster agreements)

Others

Standard procedure and number of days of simple type



- Notes: 1) Application and documents refers to the competition participation qualification confirmation application and technological documents, and technological documents refers to documents and technical proposals needed to perform the technical capability screening.
 2) Not including Sundays, Saturdays, holidays, etc.

Standard type Comprehensive Evaluation Method

Characteristics

Soliciting technical proposals for execution method from private companies is counted on to improve quality of work.

Differences from the simple type

- Applicable to work with great leeway for technical proposals.
- With the simple type, capability to perform appropriate and reliable execution based on specifications presented by commissioning entity is sought. [Ensuring reliable quality]
- With the standard type (and advanced technology proposal type), technology proposals to improve the quality of the work are sought in contrast to standard proposals presented by the commissioning entity. [Quality improvement]

Price is the predicted work price calculated based on the commissioning entity's standard proposal.

Perspective of the standard type technological evaluations

Technological capability of companies

Technical proposals

- Technical proposals to reduce overall costs.
- Technical proposals to improve performance and functions of the object of the work.
- Technical proposals to meet the public's expectations

Specific plans for execution of technical proposals

- Technical backing based on site conditions etc. of technical proposals, and confirmation and evaluation of feasibility etc.

Past execution achievements of companies (past identical work and work achievements)

Capabilities of technologists who will be assigned (past achievements, qualifications, work results)

Reliability and social contribution of companies

Familiarity with the region (execution performance etc. in neighboring regions)

Company's contribution to the region (Performance under disaster agreements)

Others

Advanced technology proposal type Comprehensive Evaluation Method

Characteristics

The use of new technologies, superior innovations etc. of private companies is counted on to advance the quality of work.

In a case where proposals concerning the construction and form of the object of the work are requested, joint ordering of design and execution is adopted.

Opportunities for improvement of technical proposals submitted by various parties based on results of technical dialogues are given. (Quality Assurance Act, Article 13)

The ceiling price is prepared with written estimations from various parties used for parts to which a calculation by the commissioning entity cannot be applied (Quality Assurance Act, Article 14)

~Preparing ceiling price based on technical proposals~

Technical Dialogue (Quality Assurance Act, Article 13)

In a case of a superior technical proposal established by improving part of the contents of a technical proposal or in a case where a partial defect can be resolved, the commissioning entity can request an improvement to the technical proposal through a technical dialogue between the commissioning entity and competition participants, or can provide competition participants with an opportunity to propose an improvement.

Precautions

- State of assurance etc. of feasibility, safety, and minimum required conditions of a technical proposal are confirmed.
- Impartiality of competition participants and of contents of all parties' technical proposals are confidential.
- In case where the minimum required conditions are not satisfied, the intentions of the proposing parties are confirmed to ask for a request for improvement or re-submission.

Preparing ceiling price (Quality Assurance Act, Article 14)

In the advanced technology proposal type, in order to account for the fact that new technologies or new execution methods etc. not in the commissioning entity's estimation standards are proposed by competition participants, it is possible to set the ceiling price based on technical proposals from competition participants.

Precautions

- Quantity of design etc. in the estimation contents is confirmed.
- The appropriateness of unit yield and unit price not in the estimation standards are confirmed from cases of identical work or similar work.
- If there is no standard unit yield, in the case of special execution, the unit yield in the technical proposal is used as a reference
- Design unit price (labor, materials, machinery cost) is set based on estimation standards.
- The opinions of academic experts concerning ceiling price preparation method are obtained.