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TENDER SCOUT



The TenderScout Annual Report

An analysis of the Public Sector Procurement
Market in 2013

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Introduction

Tony Corrigan,
CEO, TenderScout



Tony Corrigan is Founder and CEO of TenderScout, where he provides market intelligence and tender support to SMEs.

The value of the Irish public sector procurement market in 2013 was €12 Billion. It is the single biggest market opportunity for Small and Medium Enterprises (SMEs). TenderScout is a market intelligence company that helps SMEs win public sector tenders.

This report is based not just on interviews with SMEs and analysis of government policy, but critically a forensic assessment of the publically available procurement data.

The highlights of our analysis are presented in this report, which we hope will provide a forum for discussion and inform both buyer and suppliers as to the realities of what’s happening within public sector procurement.

By exposing some of the trends within public sector procurement, we hope to demystify the process for the many SMEs who at present do not see this as a viable option for their business. In doing so we aim to increase participation amongst SMEs and positively impact the health and vibrancy of the SME sector.

Procurement in Ireland 2013

Key Trends

Spending is down, but activity is up!

Around 7,500 opportunities were published by the Irish Government in 2013. This is comparable with the previous two years and indicates that the volume of transactions has not changed, although the value of individual transactions has declined by 25% since 2008. This still amounts to €12 billion of public money spend on procuring goods and services and makes the State the single largest buyer in the country.

Only 10% of SMEs are participating in public sector procurement

In 2013, barely 10% of companies participated in any of the 7,500 opportunities to sell through the public procurement process. Despite the best efforts of government to encourage participation, through policy with Circular 10/10¹ and through education with the 'go-to-tender'² programme amongst others.

Government initiatives aim to educate and encourage

In November, Minister of State for Public Service Reform and the Office of Public Works, Brian Hayes noted in the Dail³ that "70% of SMEs are not even registered on the eTenders website". As part of the government's procurement reform businesses are being asked to "register on the website and then they will know about every contract ranging in price from €3,000 to €3 million".

This statement and other government initiatives such as Circular 10/10, Intertrade Ireland's go-to-tender programme and various National Procurement Service initiatives demonstrate government willingness to help SMEs become more proficient at engaging in procurement processes; the challenge is to convince SMEs to do so.

¹Source: <http://oireachtasdebates.oireachtas.ie/debates%20authoring/DebatesWebPack.nsf/takes/>

SMEs spend over €185 Million writing tender submissions

Over 40,000¹ tender submissions were compiled in 2013 at a total cost to SMEs of over €185 Million. The cost of evaluating submissions for the public sector was €37 Million². These figures are in line with international averages. The underlying challenge for SMEs is that the cost of making a submission is on average €4,500. This is just too expensive for most companies and so they are excluded from the procurement process.

Increased use of Framework Agreements by Buyers

Framework Agreements are becoming a more popular way for the larger buyers such as Health Service Executive to manage tendering. This year between 12% and 15%³ of all published tenders were Framework Agreements. Over 600 SMEs were awarded a place on a framework this year.

No published winners for 4 out of 5 tender competitions

Based on an analysis of 1,800 published award notices for 2013, just over 1,000 individual companies have successfully been selected either for participation in a framework contract or to be the sole supplier on a contract. To date just 18% of award notices have been published for 6,500 tenders.

A new improved procurement portal at etenders.gov.ie



In November 2012, the National Procurement Service² upgraded the national tender alert system, etenders.gov.ie. This service provides over 70,000 registered SMEs with notification of, mainly, low-value tender opportunities.

²www.procurement.ie/. Note that this service is undergoing change as part of the Government reform programme.

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The etenders.gov.ie website has made it easier for SMEs to submit documentation in respect of specific opportunities. Additional features, such as making available expired tender documentation is increasing the usefulness of the portal for SMEs.

Standards remain a challenge for tender information

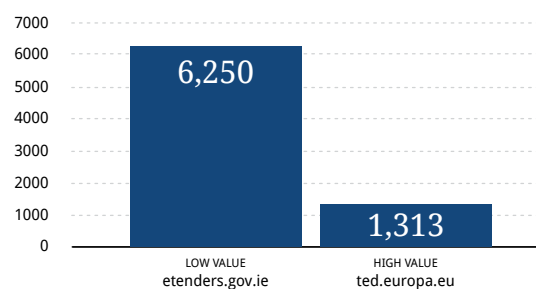
There are over 1,200 buyers registered on the etenders.gov.ie platform many of whom tendered for the first time in 2013. The application of standards in describing and coding tenders so that they can be easily found by suppliers is not what it might be. Tenders published at European level typically provide more detail and follow a well defined template; those at national level are often ‘freeform’, omitting many important details such as the contact name for the contract, contract duration or budget.

Tender Notices often have short descriptions which forces suppliers to spend longer evaluating the opportunity. Lower value notices and higher value notices are mixed together and it is difficult to see which ones are most suitable for smaller companies. The etenders platform allows suppliers to set up email alerts for areas of interest to them. Unfortunately not all tender notices have an associated Common Procurement Vocabulary (CPV). These codes are used to accurately describe the good or service being sought; when omitted it’s very difficult for suppliers to know that these opportunities exist.

Tender Award notices, used to inform the public as to the outcome of tender competitions, are more problematic. Where award notices are provided, they almost always omit pricing information. The number of offers received, the contract duration and clear identification of the winner is also frequently missing, making it difficult for suppliers to know what the outcome of the competition was.

³<http://oireachtasdebates.oireachtas.ie/debates%20authoring/DebatesWebPack.nsf/takes/dail2013112100008?opendocument>

Spending is down, but there’s still €12 Billion in the pot



Government spending is estimated by the National Procurement Service at €12 Billion in 2013 down from a high of €15 Billion in 2010⁴. Next year, is likely to be reduced again with a figure of €9 Billion often quoted.

National Procurement Service statistics provided to the Dail for the higher value European contracts, indicated that in 2010 the value of these contracts for goods and services was just over €3 billion, and in 2011 the value was just under €2.3 billion. The figures for 2012 are currently being compiled but TenderScout notes that the volume of tenders has not decreased over the past two years.

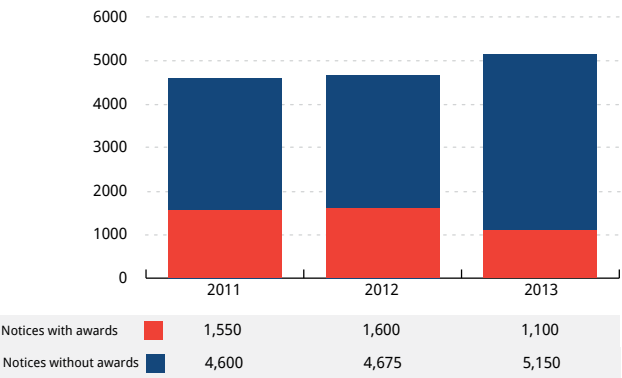
Framework Agreements, used to select a shortlist of suppliers for future contracts, are becoming a more popular way for the larger buyers such as Health Service Executive to manage tendering. This year between 12% and 15% of all tenders were Framework Agreements. Over 600 SMEs were awarded a place on a framework this year. 85% of contracts were awarded to just one SME.

⁴<http://www.procurement.ie/sites/default/files/VincentCampbell6thMay2010.pdf>

82% of award notices are missing

The publication of award information at the conclusion of a tender competition demonstrates that the process is both fair and transparent. Importantly, it helps SMEs gain a better understanding of the process and encourages them to compete for future tenders.

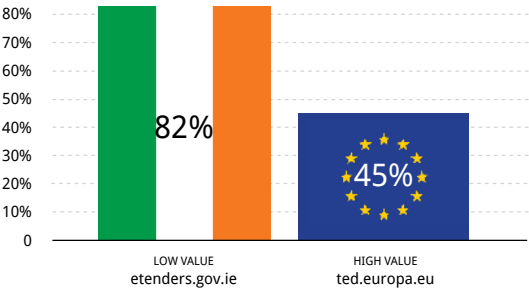
2011-2013 Irish Tender Notices and Corresponding Award Notices



This year however, only 18%⁵ of contracts published on etenders.gov.ie have a corresponding award notice. In effect for every 4 out of 5 contracts awarded by the Irish Government, no record is published of the successful companies or the value of the contract. This is a worsening of the position last year where 3 out of 4 contracts

had no award information. For higher value European tenders, the figures are a little better. 55% of contracts have a corresponding award notice. This would suggest that the higher the value of the contract the greater transparency there is around the result.

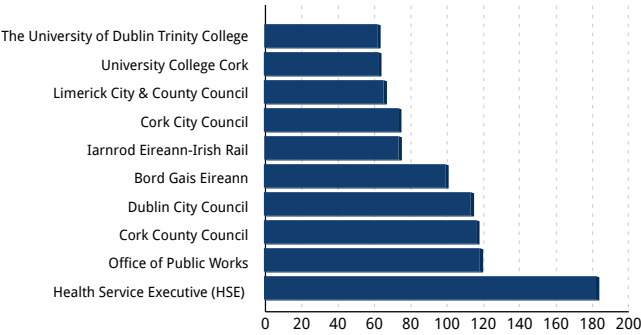
2013 - % of Irish Low and Irish High Value tenders missing award notices



⁵etenders.gov.ie records 5875 tenders and 1050 awards up to between 1st Jan and 1st Dec 2013

Buyers who love to shop

The Health Service Executive (HSE) tops the list of buyers (by volume) again in 2013 with a diverse range of tenders encompassing refurbishment of Alvernia House, hospital supplies and residential nursing care services. The HSE tally of almost 200 tenders is the highest since 2007 and is characterised by increased use of frameworks.

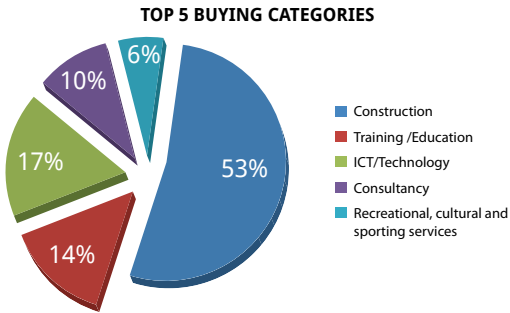


The Office of Public Works (OPW) has the next highest number of tenders with suppliers sought for everything from software licences, to water level sensors to engineering services in relation to the Bandon Flood Relief Scheme. Local government and utility companies such as Dublin City Council and Bord Gais Eireann offered over 100 opportunities for suppliers while Trinity College and UCC ensured that the education sector was well represented.

Construction Services tops ‘most bought’ list

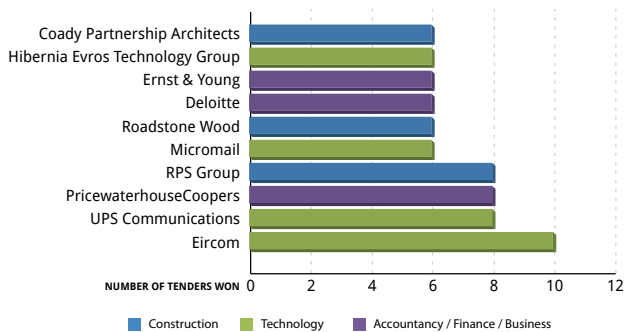
Government spending is spread over some 9,000 different buying categories; in 2013, 25% of all tenders fell into five main spending categories. Even though the construction sector has been decimated in recent years, a very healthy 27% of all government tenders are still construction related. Much of this spending is mundane such as the road resurfacing contract by Cork County Council, but some is more eye-catching such as the tender for Airfield Pavement Construction by Dublin Airport Authority. That is estimated at a cost in excess of €30 Million. It is also worth noting that there are several school projects underway such as the extension to Kinsale community School. Almost 400 tenders were related to education and training with a notable volume of activity relating to educational software and virtual learning environments, reflecting the drive towards both more modern

and more cost effective education delivery mechanisms. There were few buyers who didn't invest in ICT or technology in 2013, whether it was hardware (Horse Racing Ireland, Irish Aviation Authority, OPW) or software development (HSE, Dublin Institute of Technology, Clare County Enterprise Board) or networks (Galway City Council, HEANet). Business related consultancy was also popular; Iarnrod Eireann-Irish Rail were in the market for financial and insurance services while the National Treasury Management Agency (NTMA) has sought recruitment services. And while 6% of tenders were categorised as being related to Community, social and personal services, it appears to have been used as a catch-all for tenders as diverse as laundry management in Beaumont Hospital to dog kennel services at Dublin City Council.



Suppliers who love to Win

Over 40,000 tender submissions were written by up to 20,000 companies in Ireland during 2013. The National Procurement Services estimates that each tender competition receives an average of 5.5 submissions, although some such as the recently awarded National Frameworks (Multiple Operator) for Design Team Services by the Health Service Executive skew the figures. This tender received an incredible 552 submissions from would be suppliers of which 35 were selected onto the Framework Agreement.



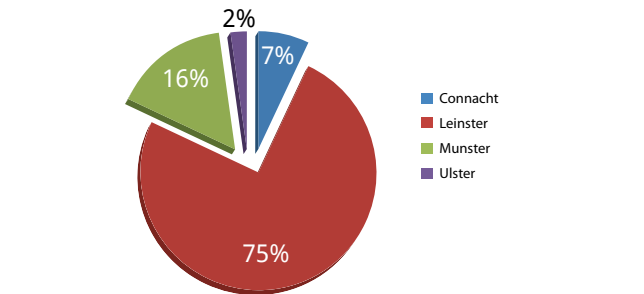
The most consistently successful tenderers in 2013 included UPC Communications who won tenders with City of Dublin Education and Training Board and the Department of Finance and Eircom who had success with HEANet and Department of Justice and Equality amongst others.

The list of winners is somewhat subjective as it is based on a sample of 25% of tenders; there are other companies who have won significantly larger value contracts and indeed higher numbers of contracts, but those details have not yet been published.

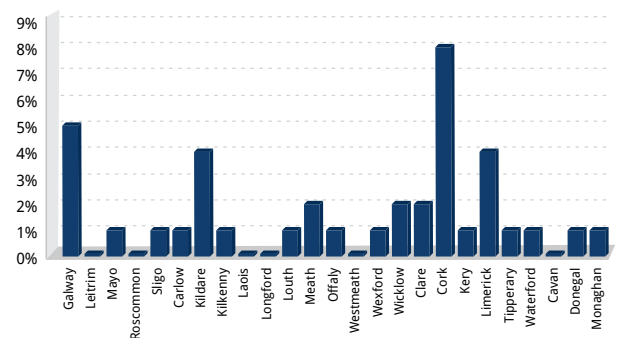
The companies in this list have demonstrated consistent performance over many years. Eircom for example has won over 80 tenders since 2003 while Deloitte has over 90 wins and RPS Group had won well over 100.

Dublin tops the suppliers winners list, regions fare poorly

As you might expect, Dublin accounted for most winners of tenders, but at a staggering 62%, it's clearly a challenge for the rest of the country to compete. In fact 75% of winners are located in Leinster with another 16% in Munster.

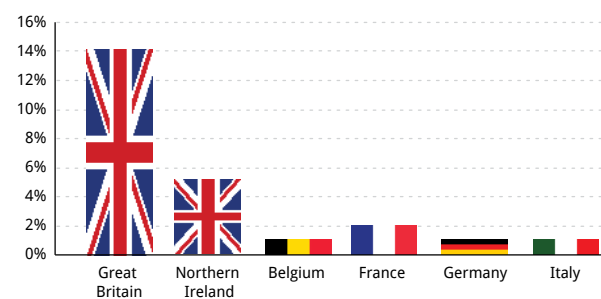


Outside of Dublin the most successful counties are Cork (8%), Galway (5%) and Limerick (4%). The remaining counties vary between 1% and 2%, although some such as Leitrim, Roscommon, Carlow, Westmeath and Cavan made even less of an impression. It is clear from the award notices that proximity to the capital is a distinct advantage for suppliers.



Foreign Companies winning 28% of Irish Tenders

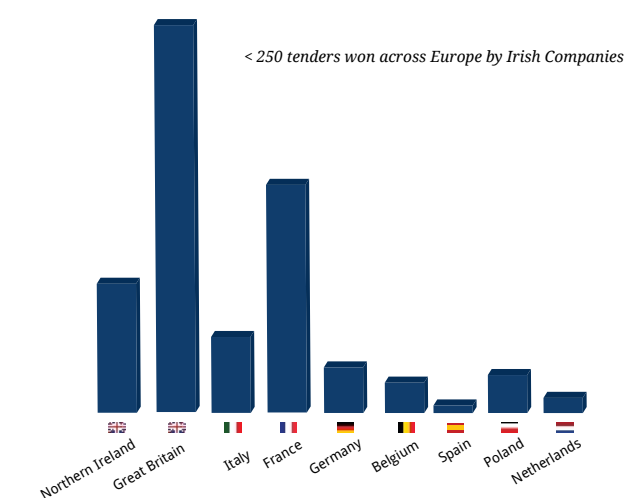
Traditionally the smaller European countries have awarded higher volumes of tenders to non-national companies. While services are more often than not procured locally, specialist goods or services are often procured from abroad. Ireland has frequently topped the list of countries most likely to award to non-national countries with figures as high as 18% being recorded previously. In 2013 however, the published data suggests that some 28% of tenders are being awarded to countries outside of Ireland with the primary beneficiaries being the Great Britain and Northern Ireland.



As the public sector seeks better value from its suppliers, it is often the larger suppliers from the abroad who can leverage their greater buying power that compete best on price. It may also be conjectured that although the professionalism of Irish companies when it comes to tendering has improved in recent years, suppliers used to tendering in the more mature Great Britain and large European markets are better able to compete for these contracts.

Irish SMEs fare poorly in Europe

Ireland's economic recovery depends on SMEs developing foreign markets and succeeding when tendering across Europe and the World. Historically, less than 2% of Irish companies have been recorded as successfully winning European tenders using the publically available data since 2003.



Just 250 Irish companies have been recorded as winners of European contracts in 2013. While this does not reflect the level of activity between Ireland and its European neighbours, it is indicative of the reluctance of Irish companies to compete outside of Ireland. 50% of Irish SME tender wins in Europe have come from our nearest neighbours of the Great Britain and Northern Ireland. Companies that are trading successfully abroad, such as Technopath are overcoming the challenges of language, culture and are building collaborative relationships with partners in the countries that they are trading into.

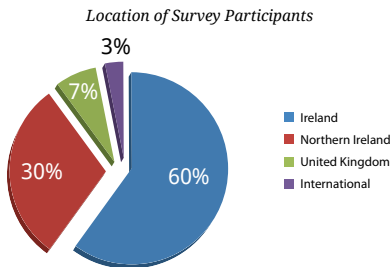
The TenderScout SME Attitude Survey

Why we conducted the survey

In July 2013, TenderScout commissioned an independent survey of 397 SMEs who had previously won tenders. The purpose of the survey was to gain an appreciation as to how suppliers perceived public sector procurement in 2013 and how this impacted on their levels of engagement.

Participants and Response Rate

We achieved a response from 230 SMEs (58%) when asked them whether they were currently participating in public sector procurement.



Survey Findings

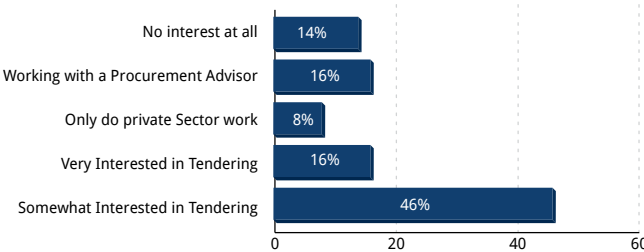
Our findings indicated that 32% of SMEs who had won tenders in the past, are active in pursuing public sector opportunities. Half of these outsource some element of the process to external consultants. The procurement awards data suggests only 10% of SMEs participate in the procurement process. Given that the percentage from this survey is significantly higher, it is reasonable to assume that companies who compete consistently and with expert support fare better than those that do not. Our follow up interviews bear out this assertion; the most successful companies had well established guidelines for deciding when to tender and also for putting tender submissions together. These companies typically competed for 3 or more tenders per year.

Key Findings

- 46% of SMEs would participate if they had more market intelligence around opportunities
- 32% of SMEs who have tendered successfully stay engaged compared to 10% nationally.
- 22% of SMEs have no interest at all in tendering

22% of companies have no interest in public sector tendering, either because they are focussed exclusively on the private sector, because they don't meet financial or tax criteria or because they don't view the public sector as a viable revenue stream. A further 46% of companies are interested in tendering but feel that the barriers to entry are too high for example turnover requirements exclude them or it takes too much time and expense to write a response. They also feel that the likelihood of success is too low. This is the group that benefits most from government programmes, such as 'go-to-tender'.

Findings of Survey into SME Attitudes to Tendering



Conclusion

The conclusion of our survey was that 78% of Irish SMEs who took part in this survey are either actively participating in or willing to participate in the public sector procurement process. Educational initiatives such as the 'Meet-the-Buyer' event with Intertrade Ireland are positive enablers of participation, yet more is needed to reduce the barriers around the cost of participation.

About TenderScout

TenderScout provides market intelligence on business opportunities to SMEs and suppliers to the public sector.

TenderScout is an online platform designed exclusively for and around the needs of SMEs. It aims to simplify finding tenders and supporting the decision as to whether to compete or not.

Companies use TenderScout to:

1. Compete for over 15,000 live tenders from across Europe, updated daily.
2. Generate a sales pipeline over the next year using historical buying patterns.
3. Make data-driven decisions as to whether to compete or avoid specific opportunities.
4. Select partners and collaborators from over 100,000 successful suppliers.



To find out more, please visit www.tenderscout.com

About this Report

Important Notes with respect to the analysis of data:

1. Data is sourced from public websites such as etenders.gov.ie and ted.europa.eu
2. To enable comparison with previous years, all years are calculated from 1st December to 30th November.
3. Interpretation of the data and subsequent conclusions have been developed solely by TenderScout.
4. There are limitations to the availability of the data, most notably in respect of award notices and contract values. In these cases we have extrapolated based on historical patterns and the data that is available.
5. Information, figures and percentages provided here are illustrative rather than absolute.
6. TenderScout has compiled this information with care and attention. This information is provided without any guarantees to its quality or accuracy. TenderScout makes no warranties as to its use.

REFERENCES

¹ <http://www.procurement.ie/publications/circular-1010-facilitating-sme-participation-public-procurement>

² <http://www.gototender.com>

³ Based on average of 5.5 submissions @ €4,500 each for 7,500 tenders; Vincent Campbell Director, National Procurement Service, Excellence in Public Procurement Dublin Castle 20 October 2011, http://www.procurement.ie/sites/default/files/Vincent%20Campbell%2020111020_Dublin%20Castle%20Presentation.pdf

⁴ 80% of procurement costs are on suppliers; 20% on buyers, http://www.procurement.ie/sites/default/files/Vincent%20Campbell%2020111020_Dublin%20Castle%20Presentation.pdf, pg 15.

⁵ Analysis of procurement data where the contract was awarded to more than one company.

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