

**REPLY BY THE MINISTER OF THE TREASURY AND RESOURCES
DEPARTMENT TO QUESTIONS ASKED PURSUANT TO RULE 6 OF THE RULES
OF PROCEDURE BY DEPUTY D DELISLE**

Question 1

Bearing in mind that the Perelle seawall was an emergency repair, why did it take from October 2012 when the wall was breached until 10 April 2013 for the tender documents to be issued?

Answer

The emergency repair to the Perelle seawall was carried out without delay on the day following the breach. Demolition material from Les Beaucamps School was deposited in the breach behind the wall to stabilise the road and arrest the erosion from the sea. In the days following the breach, larger armour stone was delivered and placed to protect the fill material from wave action. The armour stone was monitored and maintained into November while the design was checked to establish that the profile installed would protect the breach through the winter storms. The permanent works could then be carried out during more favourable weather conditions the following year. (See Press Article “Perelle Sewall Repairs start at £35k” – 24th November 2012).

Access to the site over the winter period was restricted by weather and tidal constraints, which reinforced the decision to programme the permanent solution for the better conditions expected after the spring. A site investigation, with trial holes and soil samples, was necessary to establish the basis for a design solution for the permanent works. The design options were considered and the best was chosen to take forward for more detailed design developed in-house. This was then validated by the consultants employed to advise the Environment Department on Coastal Defences, before the full scope of the works could be advertised for expressions of interest in February.

The Pre Qualification Questionnaire, issued in February clearly identified a project commencement for May 2013 for the permanent repair. The urgency was always to undertake the works during the more favourable summer conditions, which reduces the risk of unexpected events which could add to the time or cost of the project or risk compromise to the quality and longevity of the repair. The issue of the tender documents in April to those companies who had demonstrated they had the capability and experience to undertake the work still provided adequate time for work to commence in May. Indeed two of the tenderers were able to commence in accordance with the tender documents.

Question 2

What is the full cost to Guernsey of the contract going outside the island, to include not only the loss through the increased value of the contract (believed to be in the region of £55,000) but loss in tax and social security contributions and losses in job creation?

Answer

The unsuccessful tenderers are not required to provide details of resources at tender stage, so the basis for any calculation of tax and social security contributions comparison would be questionable at best.

Large sections of this project will be undertaken by local suppliers ensuring that monies remain within the island. The contractor has advised that the following items will be sourced locally: majority of materials, accommodation, transport of materials, plant hire, labour hire and plant movements (low loader costs). These represent 68% to 75% of the contract price. Inevitably items such as geotextiles and reinforcing bars would be sourced off island by all tenderers, so should be deducted from any comparison.

By focussing on the tender price alone, the costs associated with the quality criteria of the tender evaluation are excluded. The delayed start would cost the States in terms of extended traffic control and diversion costs. The risk of further extreme bad weather could cost the States if work was carried out later in the year.

It is clear from the information provided by the contractor that the magnitude of the potential reduction in contribution to the local economy is significantly less than the whole value of the project simply because the successful contractor has a Jersey office.

Question 3

Given the difficult economic circumstances the island is in and the associated rising levels of unemployment in the island, what is being done to overhaul the States tendering processes to ensure the use of local firms for capital projects wherever possible by using a method of evaluation that gives stronger weighting to community benefit?

Answer

The States of Guernsey have adopted a Best Value Tender evaluation process in order to be able to consider the quality elements of a tender submission and not just the lowest prices. Given the prevailing difficult economic circumstances there is a risk that any protectionist policies would be inflationary as the competitive element of the tender process is restricted to a smaller number of companies. The States of Guernsey are committed to obtaining the best value prices for the island. This is not always the cheapest or the most well known company names in the island. Often this process has facilitated the selection of “local” companies who are offering a better whole life cost for the project. On this occasion the best value happens to be offered by a Jersey company.

For major construction projects funded from the capital reserve, generally in excess of £1M, we have introduced a section of the quality criteria dedicated to benefits for the local economy. This section asks questions on employees paying tax, training of apprentices and graduates, local supply chain and the need for Housing Licenses, as well as asking the tenderer to explain what benefits to the local economy they can offer as a result of undertaking the project.

Within the Construction/Property market segment, States Property Services have run a number of workshops for the local construction industry contractors and consultants in order to ensure that locally based companies are fully aware of the importance of the quality criteria questions in a best value tender. A number of local companies have adapted their approach to tendering to maximise the benefits they can offer.

The Treasury and Resources Department is currently undertaking a thorough review of Procurement including the structure of the service, the manner in which the service is delivered, and the processes associated with the service. Delivery of Best Value remains the cornerstone of the procurement service and competition is critical to achieving this. Care must be taken not to tilt the playing field too far in one direction as it may discourage competition. The Department acknowledges that unemployment has been rising, but is conscious that the rise has not been significant and, in fact, that the figure has recently fallen. Within this context, it is important that a balance is struck between supporting the local economy and ensuring we deliver value for the taxpayers money spent.

However as part of the review, options for supporting the local economy without exposing the States to risk are being explored including tools such as the use of a local multiplier for certain contracts and/or the repackaging of tenders into smaller lots rather than one large requirement.

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Date of Reply: 21st June 2013