

Best Value Procurement from a contractor point of view

Emilie Sofie Lesjø, Paulos Abebe Wondimu, Ola Lædre

Introduction

- Best Value Procurement (BVP) introduced to Norway in 2016
- Several pilot projects varying from kindergartens to mega-infrastructure projects
- Limited research has been carried out to explore the contractors' experiences with the method
- Research questions:
 1. How was BVP implemented in practice?
 2. What were the contractors' experiences with BVP?
 3. How can the method be improved in the future?

Method

- Literature review
 - To learn about the method, explore previous experiences and develop a theoretical background
- Document study
 - Procurement protocols
- Interviews
 - Three semi-structured interviews of personnel from the contractor

Project name	Year
E18 Rugtvedt – Dørdal	2017 - 2019
E6 Arnkvern – Moelv	2017 - 2019
E39 Kristiansand – Mandal east	2018 - 2022
E39 Mandal east – Mandal city	2020 - 2022
E6 Ranheim – Værnes	2019 – 2024/2025

Results – BVP in practice

- BVP in Norway aligns closely with the theoretical approach set by the Dutch
- All four phases of the method were used in all five projects
- Three of five projects are in the execution phase to date, these projects have moved to a standard Norwegian contract designated NS 8407
- The weekly risk report was added to other reports required by the contract.
 - This results in using extra resources and does not align with the BVP philosophy where a key factor is less management from the client
 - NS 8407 does not support the use of the weekly risk report alone
 - BVP is mostly being used as a procurement method for the projects

Results – Experiences with BVP

Pros	Cons
Improves the efficiency in producing an offer	Learning the method is time consuming
Reduces costs and resources in producing an offer	Vagueness regarding evaluation of price
Able to influence the project early	Detailed management from client in execution phase

Results – Experiences with BVP

- Two different formulas used to evaluate price:
 - Formula A and Formula B
- Formula A used in the three of five projects and Formula B used in the two remaining
- Formula A motivated the contractor to price low in order to gain many points
- The table shows the difference in points if formula B was to be used in these three projects

Name	Formula used
A	$\frac{\text{Budget frame} + \text{maintenance} - \text{actual price}}{\text{Budget frame} + \text{mainenence} - \text{lowest price}} \times 100$
B	$\frac{\text{Lowest price}}{\text{Actual price}} \times 100$

Project name	Offer	Formula A	Formula B	Difference
E18 Rugtvedt – Dørdal (Max score: 25)	Price 1	25	25	0
	Price 2	7	19.4	12.4
	Price 3	0	17.9	17.9
E6 Arnkvern - Moelv (Max score: 25)	Price 1	25	25	0
	Price 2	16	23.9	7.9
	Price 3	10	24.3	14.3
E39 Kristiansand – Mandal east (Max score: 25)	Price 1	25	25	0
	Price 2	18.69	24.87	6.18

Results – BVP in the future

- **The evaluation of price**
 - Formula B was considered more reasonable and should be used in future projects
- **The execution phase**
 - The weekly risk reports + mandatory reports due to the contract increase the need for resources and cost in the project.
 - A change in contract is therefore required
- **Learning the method is time consuming**
 - The contractor used a lot of resources and money developing the first 6 pages required.
 - By hiring a BVP expert and taking courses in BVP the one time cost is high.
 - Nevertheless, the second offer proved to require fewer resources, it gets easier every time.

Conclusion

- **How was BVP implemented in practice?**
 - All four phases were followed
 - In the execution phase, the contract NS 8407 has taken over
 - None of case projects are finished to this date
- **What are the contractors' experiences with BVP?**
 - In general, positive.
 - The method encourage early involvement and gave the contractor the feeling of being the expert
 - Criticism to how the price was evaluated.
 - Increased need of resources and greater costs in the execution phase
- **How can the method be improved in the future?**
 - In order to facilitate the implementation of Lean in future projects by using BVP, the practice of the method should be improved.
 - Improvement measures include implementing BVP philosophy and methods during the execution phase,
 - minimizing micromanagement of the contractor
 - having a transparent evaluation method.



Thank you for your attention!

Questions?