

# Electronic Bidding

*“Public Works Procurement Information Service,” for disclosing procurement information on the Internet started from April 2001 and “Electronic Bidding,” using the Internet, started from October 2001 for public works projects administrated by the Ministry of Land, Infrastructure and Transport.*

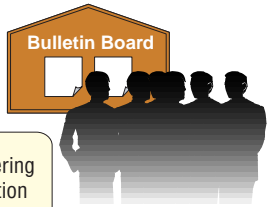


**Ministry of Land,  
Infrastructure and Transport  
2002**

# Previous Systems

**Purchaser**

**Supplier**



Publication of ordering schedule information

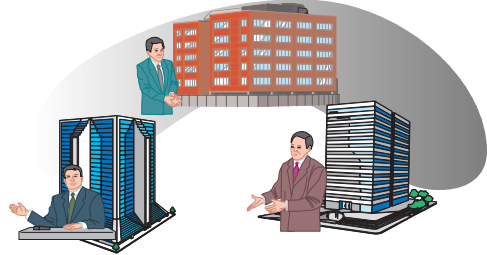
Participation Application

Reception or

Application for check of certification for participating in bidding



**Bidders**



**Transfer Costs and Transfer Time**

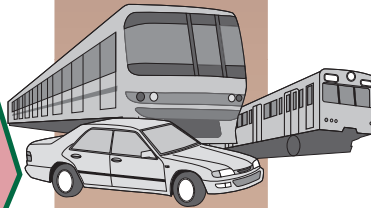
**Enormous**

**Reform**

Procedures are not transparent enough.  
Project costs can be high.

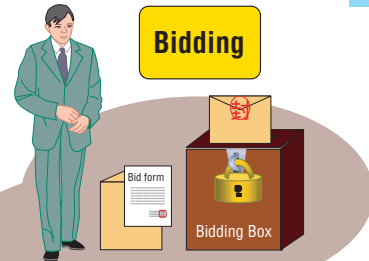
## Public Criticisms for Public Works

High-quality works must be accomplished less expensively!  
More information must be disclosed and there must be more participation by local citizens!  
Procedures must be transparent!



Transportation, etc.

**Bidding**



Gather at bidding venue on specified day

Identification Check

Check the signature and seal of the company representative after bid opening

**Bid Opening**



Presence of Bidders

\* The lowest price and company name are declared at the bidding venue.

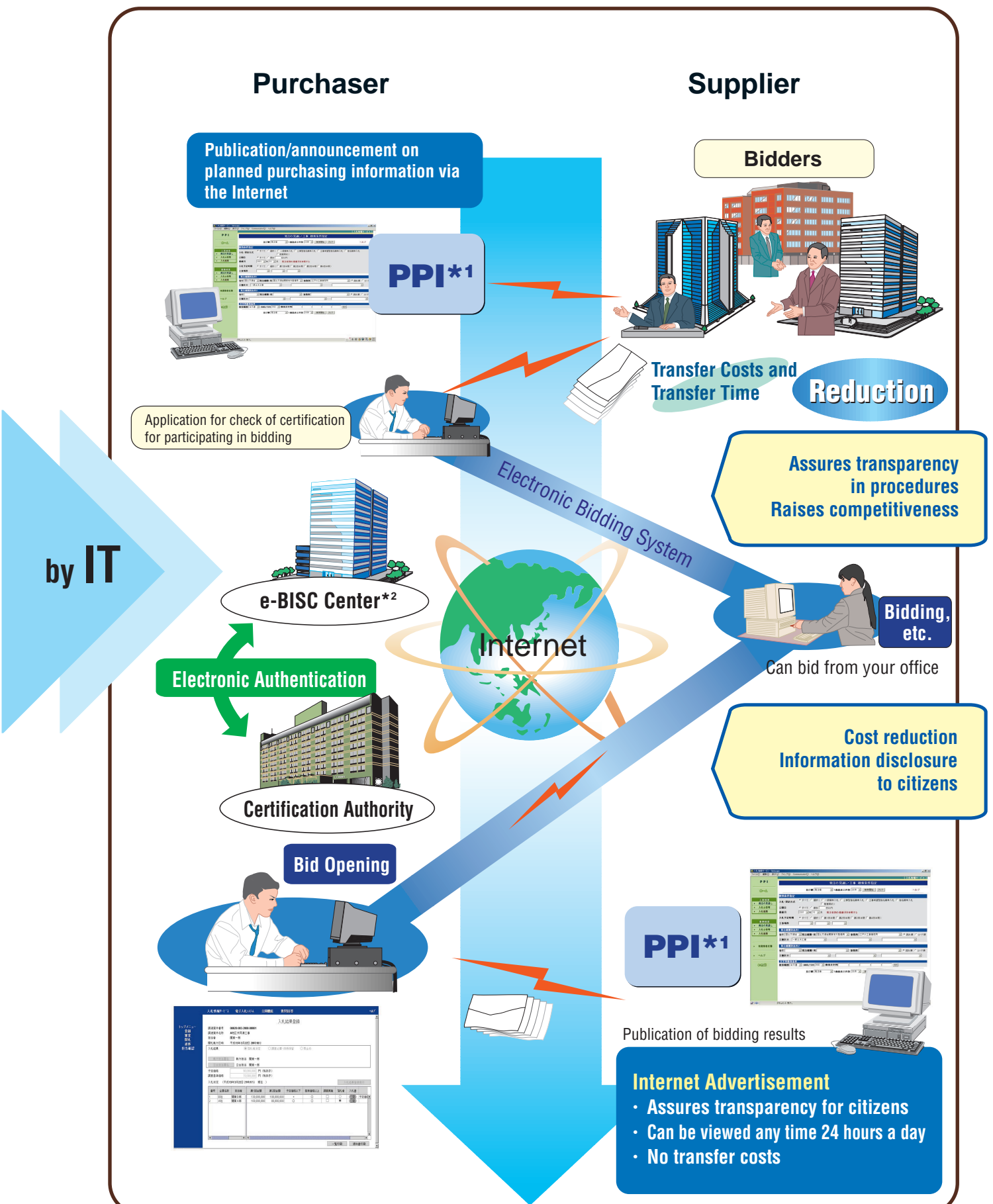
Publication of bidding results

**Limited Time Transfer Costs**

Confirm by going to the venue



# Electronic Bidding



\*1 PPI: Public works Procurement Information service  
\*2 e-BISC Center: Electronic Bid Server Control Center

# Introduction of Electronic Bidding

## Reform of Public Works processes

The Ministry of Land, Infrastructure and Transport has been promoting various actions such as utilizing IT, aiming for reforms in public works processes. To realize transparency of bidding and contracts, the "Act for Promoting Proper Tendering and Contracting for Public Works" was established in order to make important processes of public works transparent. Preparation at the system- and work procedure-sides has been completed under this law, leading up to promoting the introduction and spreading of electronic bidding making full use of Internet Technology.

## Construction Business Law    Accounting Service Law    Local Autonomy Law

Basic Principles for Appropriateness in Bidding and Contracts  
Implemented on April 1, 2001

Assuring transparency	Ensuring appropriate construction
Promoting fair competition	Completely eliminating improprieties

- Reforms through legal system
- Reforms using IT for electronic bidding

### The Public Works Reform Plan of the Ministry of Land, Infrastructure and Transport

Electronic bidding is applied for all of their public works projects ordered by Ministry of Land, Infrastructure and Transport, by FY 2003.

**Electronic bidding is applied for all public works projects, including local government agencies, by FY 2010.**

## Effect of Electronic Bidding

The introduction of electronic bidding raises both quality and competitiveness, and is expected to reduce costs in public works projects administrated by the Ministry of Land, Infrastructure and Transport by about 26 billion yen annually, for reducing supplier transfer and documentation preparation fees as well.

**Total cost reductions including local government agencies 200 billion to 300 billion yen annually.**

### Raising competitiveness

- Making it easier to obtain information to increase competitiveness quantitatively.
- Making it easier to get varying technology proposals, including overseas, to raise competitiveness.

### Reducing cost

- Reducing personnel and transfer costs for the competing participants, thus reducing construction costs.

### Speeding up operations

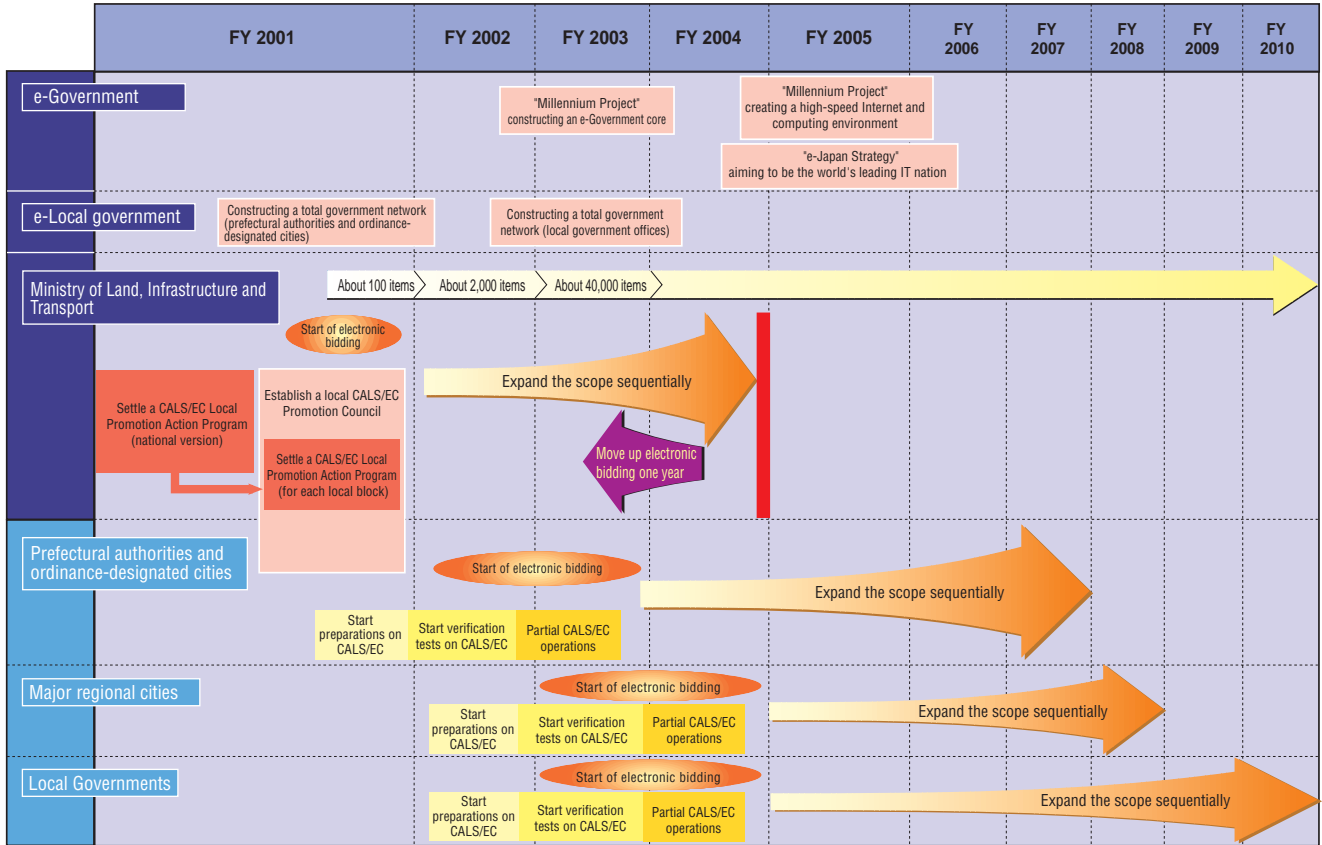
- Enabling automated processing, which reduces the operational burdens via duplicated inputs, etc.

### Others

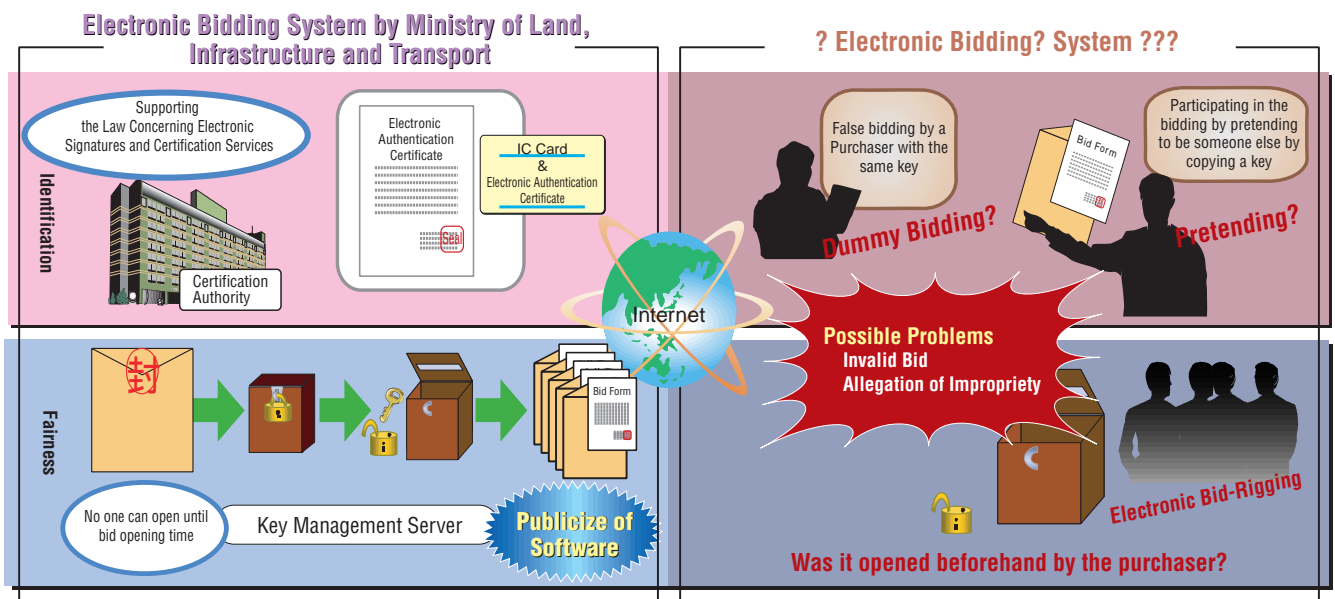
- Reduces energy consumption via paper resources, and the transfer of people and goods

# Diffusion Plan

## Targets for Yearly Plan



## Two Major Requirements for Electronic Bidding System (Identification and Fairness)



**Identification:** For systems not based on laws related to electronic signatures and certification operations, no one can say for sure that the holder of the key is just that supplier.

**Fairness:** Governmental bid-rigging may exist in electronic bidding for systems whereby the purchaser can open bidding forms in advance. For example, an e-Government needs to disclose to their constituents specifics just like in response to black box on-line voting systems, as the government's "New Explanatory Responsibilities", to earn their trust. By making this software public, a rational system can be created through competitive principles, avoiding exclusivity with specific IT vendors, thus it can be the best of both worlds.

# Efforts for Standardization

## System Proliferation Crisis

### (1) Serious problems caused by system proliferation

**System proliferation causes tremendous problems.**

Purchaser side: Duplicated investments for system development costs

Supplier side: Raises labor and other costs to respond to multiple systems

### (2) Increasing - construction cost increases

**The supplier must respond to each system when purchasers are using their own system.**

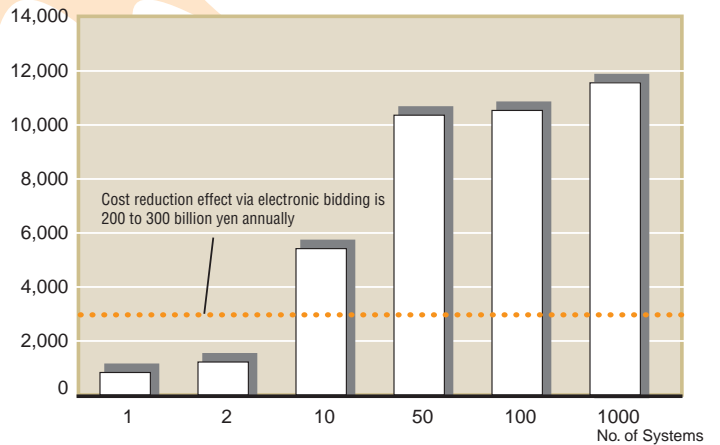
The increase in supplier-side burden in FY 2010 actually leads to increases in construction costs (about 70 billion yen annually for 2 systems and 500 billion yen annually for 10 systems) because of electronic bidding.

Development of individual electronic bidding system by each purchaser.

Proliferation of electronic bidding system

Higher development costs and confusion for the supplier

Yearly Average Investments (Unit 1:100 million yen)



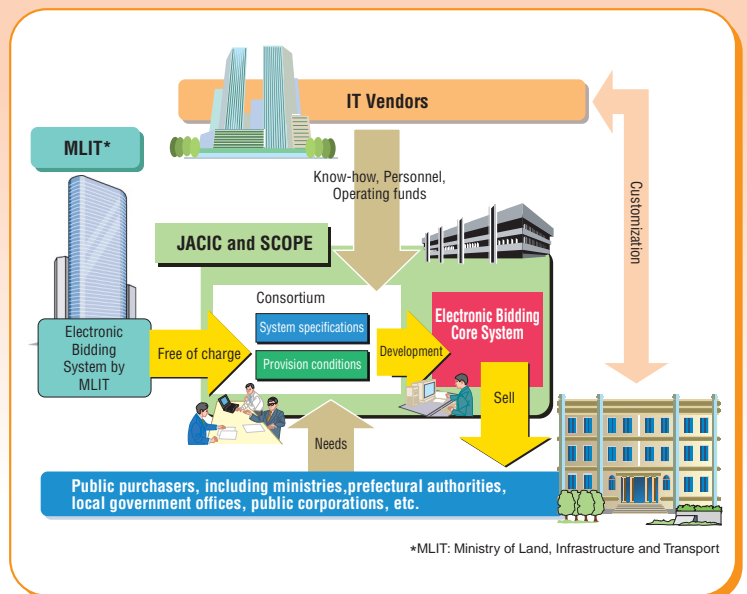
Therefore,

### (3) Electronic Bidding Core System Development Consortium

Based on the electronic bidding system provided free of charge by the Ministry of Land, Infrastructure and Transport, JACIC and SCOPE jointly established a consortium in order to more economically develop essential functions added on and jointly paid for by purchasers such as local government agencies. Public purchasers can become members at no cost.

#### Advantages of core system installation

- Installation of system that guarantees identification and fairness.
- Avoids multiple investments for development
- Reduces construction costs via standardization
- Suitable for government procurement agreements

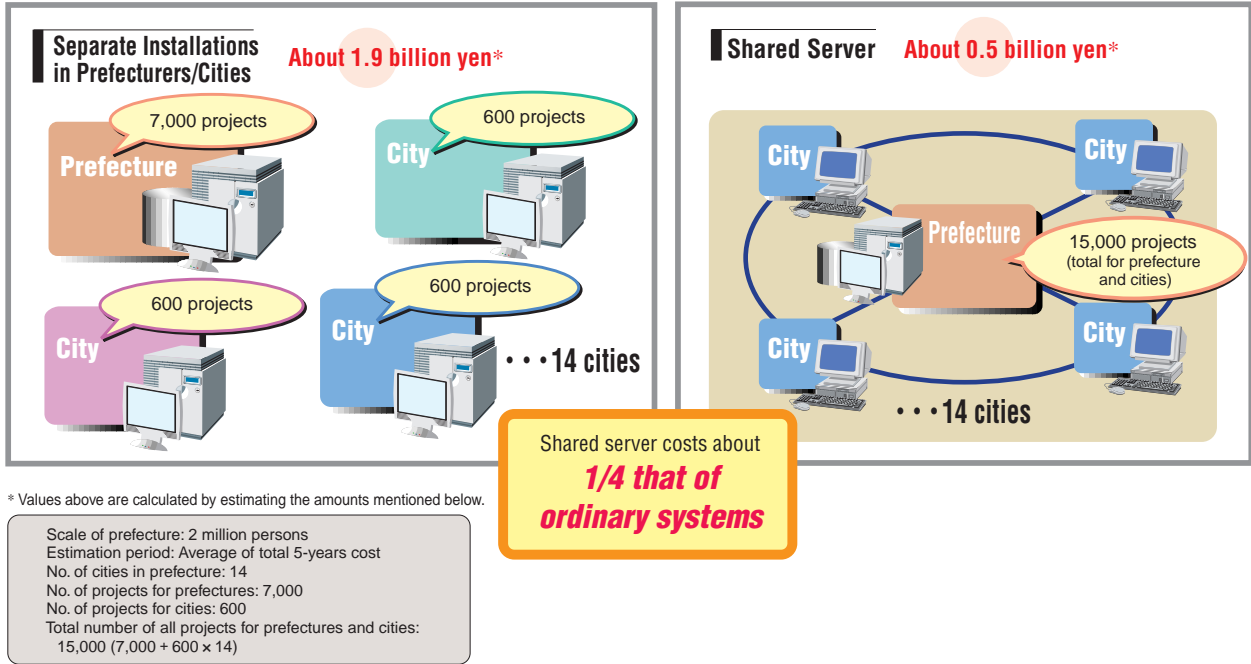


Electronic Bidding Core System: The core part of the electronic bidding software, which has high flexibility and can be applied to multiple public purchasers.

# Future Promotion

## System Maintenance via Shared Server

Electronic bidding systems are not installed separately in prefectures, cities and so forth, but are integration via a shared server, enables an extremely economical electronic bidding system to be installed, including much lower running costs. The shared server is also set as the basic system maintenance policy of the Ministry of Public Management, Home Affairs, Posts and Telecommunications.  
(The Ministry of Land, Infrastructure and Transport electronic bidding system offers full network compatibility, as well as integrates and operates the bidding of construction offices, etc. throughout Japan via one software.)



## Moving Towards Global Standards

The Ministry of Land, Infrastructure and Transport is making every effort at conforming to global standards for electronic bidding systems.

### Support for current government procurement agreements

- Possessing functions for processing along with paper bids to open the door for all foreign and domestic suppliers to participate in the bidding.

### International cooperation

- Promoting cooperation for electronic bidding tests, and so forth, overseas. This has hidden potential to become important criteria for **ODA projects** in Japan.

### Participation in international conferences

- Participation in conferences related to electronic bidding standardization such as the UN Economic Commission for Europe, and proceeding with adjustments related to this.



## Minister's Message

Structural reform will be realized by the "Act for Promoting Proper Tendering and Contracting for Public Works" and the electronic bidding system. I moved up implementing the electronic bidding plan of the Ministry of Land, Infrastructure and Transport one year. We also are providing the required software technology to other ministries and local government agencies free of charge to support them in introducing the electronic bidding system. These activities will make public works transparent and accessible while accelerating construction cost reduction.

Minister of Land, Infrastructure and Transport

**Chikage Ogi**

## PPI (Public Works Procurement Information Service)

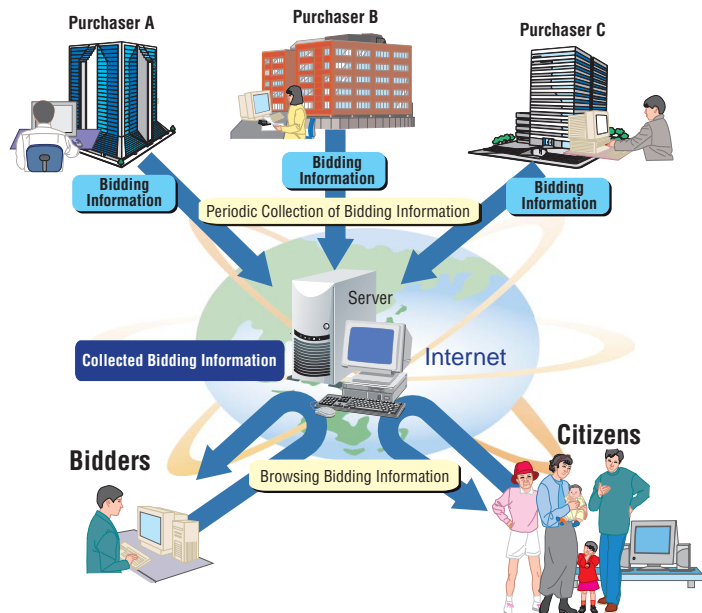
PPI is a service for obtaining and searching ordering schedule information, ordering information and bidding results via one central homepage. It started operating at the public works projects administrated by Ministry of Land, Infrastructure and Transport from April 2, 2001.

URL <http://www.ppi.go.jp/> <Japanese only>

Implementation by local government agencies and other purchasers will conform to "Act for Promoting Proper Tendering and Contracting for Public Works," resulting in a user-friendlier, more accessible system for all citizens.

### Effects

- Improves transparency of public works projects
- Improves competitiveness
- Provides strategic data for companies
- Lowers project costs



For further information, please contact:

**Minister's Secretariat, Ministry of Land, Infrastructure and Transport  
(Local Affairs Division, Engineering Affairs Division, Public Works Planning and Research Office)**  
URL <http://www.mlit.go.jp/english/>

**CALS/EC Department, Construction Information Research Institute,  
Japan Construction Information Center (JACIC)**  
URL <http://www.cals.jacic.or.jp/english/>

**1st Research Department, Institute of Construction Management,  
Service Center of Port Engineering (SCOPE)**  
URL <http://www.scopenet.or.jp/main/english/>