

CASE STUDY OF THE COMPETITIVE DIALOGUE PROCEDURE

BBC'S DIGITAL SWITCHOVER HELP SCHEME



*This case study will be considered
within the following PASS Training Courses*

**Competitive Dialogue or
Competitive Procedure?**



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Purpose

1. This case study highlights the experience of the BBC in running a procurement under the Competitive Dialogue procedure. It forms part of OGC's portfolio of guidance on Competitive Dialogue, and aims to provide further practical guidance to projects that are using this relatively new procedure.

Summary

2. BBC's Digital Switchover Help Scheme (DSHS) assisted around 7 million eligible people to receive digital television when the analogue signal is switched off.

3. The BBC competed the service delivery of the scheme under a Competitive Dialogue procedure from 1 February 2007 to 25 February 2008. There were four competitors: eaga plc, BT, Capita and Vertex. Two contracts were awarded under a single Competitive Dialogue procedure: a pilot project, won by Capita, would test the service delivery in a specific UK location; and the main contract, won by eaga plc, would roll-out the full service.

4. The procurement was tightly managed, delivered promptly and has received positive feedback from the bidders involved. This case-study summarises the BBC's experience, by briefly describing the following elements:

- i) The DSHS Project
- ii) Procurement Strategy
- iii) Key phases in the Competitive Dialogue process
 - a) **Phase 1 – Pre-dialogue:** planning, supplier engagement, and preparation for the dialogue;
 - b) **Phase 2 – Dialogue:** management of the dialogue, meeting with bidders, resourcing, preparing for final tenders, evaluation etc;
 - c) **Phase 3: Post-dialogue:** final stages, handling post-dialogue issues, and award of the contract.
- iv) Summary of Lessons Learned

The DSHS Project

5. Digital Switchover was the process of turning off the UK's analogue TV signal and replacing it with a digital signal. This happened on a region by region basis between 2008 and 2012. Border was the first region to complete Digital Switchover in July 2009. Other regions gradually followed.

6. Everyone needed to ensure that their TV could receive digital signals so that they kept their TV service. Some people were ready for the switchover, such as those who had replaced their old sets with new digital TVs, or those who had installed a digital set-top box. However, those people who owned older technology were not ready and were at risk of losing their service.

7. The Digital Switchover Help Scheme was run by the BBC on behalf of the Government to help eligible people make the change to digital on one of their TV sets. The projected cost of delivering the scheme was approximately £600 million. This was being funded by the BBC licence fee.

8. Assistance including equipment, help with installation and follow-up support was available to people who are aged 75 or over, those registered blind or partially sighted, or those entitled to certain social security benefits. The scheme was available for £40, or free of charge to eligible people who are receiving income-related benefits.

The Procurement Strategy

9. The BBC decided to use the Competitive Dialogue procedure, as the project was perceived to be a particularly complex contract. The main factors that contributed to the complexity were:

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- i) The substantial **scale and scope** of the project, with up to 7 million customers expected;
- ii) The uniqueness of the service – the BBC understood the result they wanted to achieve, but had no understanding of **how to specify the way in which the service should be delivered**;
- iii) The **absence of an established marketplace**, again largely due to the bespoke nature of the purchase;
- iv) The **impossibility of knowing how an end-to-end model might operate**, which would need to be thoroughly explored with bidders.

The restricted and open procedures were deemed unsuitable due to the need for exploratory and ongoing dialogue with bidders on possible solutions.

10. The BBC developed a procurement strategy comprising two key elements:

- i) A pilot project, which would test the switchover scheme in a specific location (Whitehaven, Cumbria). The pilot scheme would cost in the region of £1 million;
- ii) The main contract, which would involve the delivery of the full service to all eligible people by 2012 throughout the UK, at a cost of up to £500m.

11. The BBC decided to award both the pilot and the main contract under a single Competitive Dialogue procedure, which meant outlining the scope of both contracts as two lots within a single OJEU contract notice. The pilot would be awarded first, but the competition for the main contract would then continue, with the results of the pilot being fed into the dialogue process for the main contract to ensure a level playing field for the remainder of the procurement.

12. Had the pilot been the only requirement, then it may not have been a sufficiently complex contract to justify the use of Competitive Dialogue. However, the strategy was to secure the overall requirement through one procurement split into two stages in which all bidders would compete, one being the pilot element and the other being the main contract (the latter part being the more complex aspect). Since the sum of the two parts of the requirement was considered particularly complex, the entire procurement

overall was deemed to be sufficiently complex to justify the use of Competitive Dialogue.

13. Bidders that were unsuccessful in the pilot contract would be retained in the competition, but would be fully briefed on their shortcomings in their bids for the pilot contract. By designing the process in this way, all bidders were provided with clear feedback about their relative strengths and weaknesses, and were therefore able to improve their bids when competing for the main contract.

Key Phases in the Competitive Dialogue Process

Phase 1: Pre-Dialogue

14. The BBC identified from an early stage that there was not an established market for the service required. Prior to starting an EU procurement, the BBC sought soundings from organisations that could provide component parts of the service, such as:

- Contact centres
- Equipment providers
- Database developers
- Marketing firms

This gave an indication of the types of organisations that might be interested in bidding for the scheme.

15. An open supplier briefing was used soon after the publication of the OJEU notice to engage more formally with the market and to encourage bidders to form alliances and consortia. During the briefing the procurement team communicated the broad service outputs, such as:

- Contact management
- Delivery of equipment
- Installation
- Aftercare/support

The team also presented various commercial possibilities, such as a full end-to-end managed service or separate contracts for contact management and equipment. A prequalification exercise followed in the normal way and this raised no issues.

16. The specification was output based and not prescriptive on the method of delivery. However, this still meant providing a substantial amount of information, which included:

- Basic compliance standards for the equipment
- The need for a dedicated contact centre and contact management operation
- The target audience that needed to be reached
 - o For example, detailed information on the target audience was provided through close working with DWP (to identify over 75s and other eligible people)
- The need for a phased and managed roll-out programme, region by region across the UK

Procurement Timetable

17. The entire procurement, from contract notice to contract award, took 12 months. This comprised of the following key elements:

- The OJEU advert was published on 1 February 2007
- The pilot contract was awarded on 19 June 2007 and completed on 30 April 2008
- The main contract was awarded on 25 February 2008

The Pilot Contract

18. The pilot contract, like the main contract, had pre-dialogue, dialogue and post dialogue phases, but for simplicity it is described in its entirety in this section of the case study.

19. 4 bidders competed for the pilot project. The pilot contract was awarded to Capita; BT subsequently withdrew from the main competition leaving 3 bidders to compete for the main contract.

20. A key concern at the award of the pilot phase was that the remaining two bidders might be less enthusiastic about their chances of winning the main contract, now that they had been unsuccessful in winning the pilot contract. A key factor in overcoming this was the clear and regular feedback throughout process on, for example, shortfalls, weaknesses and strengths. This approach was highly successful in building an atmosphere of openness and trust. Substantial debriefing was made available to unsuccessful bidders for the pilot, which helped them to improve their bids for the main contract. The fact that the main contract was later awarded to one of the bidders that was unsuccessful at the pilot stage emphasises this point further.

Phase 2: The Dialogue Stage

Resources

21. The BBC found the Competitive Dialogue procedure to be very resource-intensive, both in terms of the procurement resources required on the buying side, and the bid costs incurred on the supply side. Overall, the BBC estimates that:

- Procurement costs, including staffing, were in the region of £1 million.
- Bid costs were in the region of £1 million to £1.5 million for each of the three bidders for the main contract.

22. However, the procurement team and the bidders recognised these costs in the context of the size of the overall contract on offer. With a total contract value of up to £500million, each party's costs were around 0.2% of the contract value, which was generally felt to be an acceptable ratio.

23. The BBC managed the dialogue process using two small teams of full-time staff, albeit with substantial coordination between them:

- i) A *commercial/legal team* was responsible for managing the procurement process, developing the commercial models, and working up the contract documents and terms. The full-time staffing profile for this team comprised:

- 1 project manager and procurement specialist
- 1 other procurement specialist
- 1 lawyer
- 1 financial modeller
- 1 commercial/financial person
- 50% of the BBC's Head of Strategic Contracts
- Plus regular involvement of the Chief Executive of DSHS, to sometimes chair the commercial/legal team meetings

ii) A *technical team* was responsible for looking at the needs of the target audience, and examining technical matters such as: calibre of equipment; management of the contact centres; technology and other issues. The staffing profile for this team comprised:

- 1 transmission expert
- 1 equipment expert
- 1 aerial installation expert
- 1 contact centre expert
- 2 diversity experts
- 1 marketing expert
- 1 logistics expert

Both teams needed substantial administrative support, and the above profiles were felt to be the absolute minimum that was necessary to deliver the work required.

24. The staffing resources for the BBC were largely mirrored by each bidder – so virtually every person on the buy-side had an opposite number in each of the bid teams.

Managing Dialogue Meetings

25. The main scheme dialogue took place on a daily basis over many weeks. In total this amounted to 8 one-day dialogue sessions with each of the 3 bidders, so 24 whole days of dialogue were undertaken. Typically, a working week would involve:

- Monday-Wednesday: A full day's meeting with each bidder on consecutive days
- Thursday and Friday would be 2 planning and reflection days.

26. Each meeting would typically involve plenary sessions, then breakout sessions for each of the two workstreams, which would run in parallel. The teams would share progress on each other's work at various check-points during the day, with a final wash-up session involving both teams at the end of each day.

27. Scenario planning workshops were also used to complement the process with the relevant operational teams. These sessions looked at practical operational issues that would be faced by the service provider during service delivery.

Protecting Commercially Sensitive Information

28. Bidder solutions were developed under Non-Disclosure Agreements throughout the dialogue. This encouraged bidders to develop their own unique propositions for service delivery and led to three very different proposals for meeting the services, any of which could have succeeded.

29. During the dialogue sessions for the main contract, further care was taken to protect each bidder's ideas; including:

- Developing each bidder's solution on a one to one basis under the strict confidentiality of the Non-Disclosure Agreement;
- Steering them in terms of what would strengthen their own unique proposals and maximise their advantage; and
- Ensuring in feedback during the dialogue that bidder-specific ideas were not disclosed to their competitors.

30. The procurement team did not attempt to draw the bidders towards a common, convergent solution, as that could have compromised the process. Rather, the individuality of each bidder's proposals was explored and developed, with the end result being that each of the three proposals could fully meet the required outcomes in different ways, as described in the output specification.

Bid Evaluation

31. The BBC has significant experience in using the negotiated procedure for complex projects, which is similar to Competitive Dialogue in many ways, so they were able to draw on this experience when using Competitive Dialogue.

32. The procurement team made ongoing evaluations of both financial and qualitative aspects, and fed these back regularly. These evaluations were not used for deselection, rather they were informal evaluations against the award criteria so as to provide feedback to each bidder about their evolving strengths and weaknesses, based upon the evaluation criteria.

33. A draft final tender submission (essentially a practice run for the final submission) was received a week before the request for a final response to the ITT. This included a draft Target Operating Model (TOM), confirmation of the terms and conditions, a Cost Model and a charging profile. The process of having what was a dry run of bidders' tender responses ahead of the formal request for final tenders meant that any changes to the tender documentation to address gaps or other issues could be incorporated into the final ITT.

34. The evaluation criteria had been tightly linked to the critical success factors and the outputs for the project from the outset. By linking the criteria to the outputs in this way, the BBC ensured that the award criteria would always be relevant to the stage of evaluation reached, regardless of how much the basic requirement had evolved and developed during the dialogue process. In other words, had the BBC not made this link between the criteria and the outputs, then there could have been problems with evaluation, as the requirement might have evolved beyond what was described in the award criteria.

Phase 3: Post-Dialogue

35. Post-dialogue and after the receipt of final tenders there were some further discussions, though these were limited to clarifications with all bidders during the final evaluation process. These clarifications focused primarily on checking the BBC's interpretation where there may have been some ambiguity.

36. The detailed engagement during the dialogue process meant that requirements were fully understood by all bidders, and similarly the procurement team had developed a thorough understanding of the bidders' proposed solutions and cost models. Consequently this meant that post-dialogue there were no major issues to address.

Summary of Lessons Learned

37. Key Lessons Learned included:

- ✓ Early resource planning was critical and ensured success in driving the dialogue efficiently;
- ✓ Discussing the critical success factors early with bidders as well as the contract and how bids would be assessed against the award criteria was key to keeping to time;
- ✓ Preparing documentation as early as possible and discussing this in the dialogue sessions enabled steady and measurable progress;
- ✓ Defining the appropriate service levels took longer than expected.

Further Information

38. For further information and guidance on Competitive Dialogue, visit www.ogc.gov.uk