

2022 STAR Workshop #3

Advanced Research Procurement

Case Study #1 – Microscope

Your lab is buying a new Microscope. The Principal Investigator (PI) would like to proceed with Supplier B as it provides the best value based on the requirements included in the Invitation to Quote (ITQ). You would like to proceed with their quote.

You have a budget of \$75,000 CAD including taxes.

Question: How do you proceed?

Items	Supplier A	Supplier B
Microscope	\$70,000	\$68,000
Warranty/Service	\$1,000	\$6,000
Delivery	\$1,000	
Total Cost	\$72,000 CAD	\$74,000 CAD

Case Study #1 - Answer

There are several items to consider prior to proceeding:

1. Based on the value of the quotations received you will require a third quotation. For future procurements of this value, you should contact all the suppliers at the same time and provide them with the same period to respond to the ITQ. Keep in mind, it is better to request quotes from more than three suppliers, if possible, to ensure that you receive the minimum required number of quotes and to see out the best value.

2. Supplier B has not included delivery in their quotation. Did the ITQ state that delivery was included? If it is unclear, you should clarify with the supplier. For future procurements, use the standard ITQ form and clearly include the requirements for delivery to help remove this ambiguity.
3. There is a large discrepancy between the two suppliers' price for Warranty/Service. Did you request the same Warranty/Service in the ITQ form? If what is included in the Warranty/Service is unclear, you should clarify with the suppliers. For future procurements – use the standard ITQ form and clearly including the requirements for Warranty/Service to help remove this ambiguity.
4. The PI would like to proceed with the higher priced quotation. You will need to document why the higher quote provides better value than the other quotes received. The justification should be related to the functional requirements that were listed in the ITQ and highlight a benefit to the university – e.g., Includes better objectives or additional software licences.
5. With an effective tax rate of 3.41%, the quote from Supplier B is over budget. Confirm that there are departmental funds available for the amount above the \$75,000K from the grant. Are you able to negotiate the price at all? A small change would make this fit within the budget.

Case Study #2 – Mass Spectrometer

You are procuring a specialized mass spectrometer that is only sold outside of Canada. You have a budget of \$85,000 CAD including taxes. None of the Suppliers can accept payment in CAD and none of the Suppliers are registered to collect HST. The PI would like to proceed with Supplier Z based on their requirements that were included in the ITQ.

There are no import duties for this mass spectrometer.

You've received the following three quotes.

Questions: How do you proceed? What are the main considerations?

Items	Supplier X	Supplier Y	Supplier Z
Mass Spectrometer	\$65,000	\$64,000	\$67,000
1 year – Warranty	\$2,000	\$1,000	\$2,000
Delivery	\$1,000	\$1,000	\$3,000
Total Cost	\$68,000 USD*	\$66,000 USD*	\$72,000 USD*
Payment Schedule	Delivery: 20% Acceptance: 80%	Acceptance: 100%	Deposit: 30% Delivery: 10% Acceptance: 60%
Total Cost in CAD including taxes (TC x 1.25 x 1.0341)	\$87,898.50	\$85,313.25	\$93,069.00

*USD to CAD Exchange rate is 1.25.

\$1 USD = \$1.25 CAD

Case Study #2 - Answer

As with case study #1, there are several items to consider prior to proceeding:

1. Payment Schedule: Each of the suppliers have provided different payment schedules with their quotes. These will need to be considered when you're evaluating the quotes as changing the University's standard payment schedule (100% payment on delivery and acceptance of the equipment) adds risk. If you proceeded with Supplier Z, the best option would be to revert the payment schedule to the University's standard payment schedule. If they aren't willing to accept that, moving the payment from 'deposit' to 'upon delivery' is less risky as the goods have been received and you have a tangible deliverable. If they will not change their proposed payment schedule, you need to consider if this is still worth proceeding given the additional risk. You should ask the supplier:
 - a. Why do they need the deposit (e.g., Is it to help a small business with the upfront capital costs?)
 - b. Can we reduce the deposit to a lower percentage?

Also, confirm who in your department can approve the change in payment schedule and the process for this change.

2. Budget: The quote from Supplier Z that the PI would like to select is close to \$100K CAD. Are you certain this is the total cost of ownership? Are there any other costs? If the Total Cost of Ownership is going to be over \$100K CAD, you need to post this as an open competitive procurement. Contact Procurement Services ASAP. All the quotes received are over budget after converting the funds to CAD and applying the effective tax rate 3.41%. If you are certain that the Total Cost of Ownership is going to be under \$100K CAD, we need to confirm that there are departmental funds available for the amount above the \$85,000K from the grant. Can you negotiate the price at all?
3. Are there any items that you would like to clarify with the Suppliers based on the quotes provided? Were the requirements clearly described in an ITQ and sent to the suppliers at the same time?
4. The PI would like to proceed with the most expensive quotation. You will need to document why the higher quote provides better value than the other quotes received. The justification should be related to the functional requirements that were listed in the ITQ and highlight a benefit to the university – e.g., Provides automated transfer of samples or has more advanced software included.

5. When entering the Purchase Order (PO), the Payment schedule should be included in the PO header text.