

17 November 2020

To: PSPC-registered firms
Cc: CIJC, BOA, PEB, CORENET subscribers

CIRCULAR ON ENHANCEMENTS TO QUALITY FEE METHOD (QFM) FRAMEWORK

This circular informs all PSPC-registered firms on the enhancements to QFM for the procurement of construction-related consultancy services which shall take effect for Expressions of Interest (EOIs) and tenders called **on and after 15 December 2020**.

2 In January 2018, the QFM was enhanced to place more emphasis on quality in the procurement of public sector consultancy tenders. This aims to deter intense fee competition which would erode the quality and sustainability of services being procured. The key enhancements included introducing a minimum 10% weightage for consultants' past performance as a mandatory Quality criterion, supported by the temporary delisting from the Public Sector Panels of Consultants (PSPC) for consistent very poor performers.

Rationale for Enhancements

3 Notwithstanding the last enhancements, it was observed that the fee-diving behaviour is still prevalent amongst tenderers where QFM tenders were awarded to low outlier bids¹ in 2019.

4 This unhealthy bidding behaviour is detrimental to the sustainability of the consultancy profession, where unhealthy low fees would cause wages to be unsustainable and in turn, result in difficulties to attract and retain quality talent. Therefore, further measures are required to curb fee-diving and ensure robustness in recommending award to a low outlier bid.

¹ Refers to fee bids which are more than 20% below the tenderers' average fees.

Changes in QFM for Consultancy Tenders

5 The revised QFM framework applies to all public sector consultancy tenders called using the PSPC. The key enhancement to the QFM framework for consultancy services includes:

Discarding outlier bids from the computation of average tenderers' fees

6 The 80% fee cap formula under the QFM framework is an existing mechanism in place to curb fee-diving. Tenderers with bids that are more than 20% below the average fee (from all valid bids) will receive no further advantage in their fee score.

7 To prevent skewing of the average fee and in turn provide undue tendering advantage to an outlier, the 80% fee cap formula will be enhanced by removing outlier bids from the computation of the average fee. Outlier bid is defined as one that is more than 20% below or 50% above the average of all tenderers' fee. The outlier bids will be sequentially excluded by first removing any high outlier and computing the new average tenderer fee. Based on the new average, any low outlier bids would then be excluded and the average tenderer fee computed for fee-score computation. Please refer to **Appendix I** for an example of removing outlier bids in computation of average fee for fee-score computation.

Implementation

8 Consultancy firms which require clarifications on this circular can contact us at BCA_PSPC@bca.gov.sg.

9 The revised QFM framework is available on the BCA website (<https://www1.bca.gov.sg/procurement/tender-stage/quality-fee-method-qfm-framework>).

Thank you.

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(Transmitted via email)

Discard outlier bids from the computation of average tenderers' fee

This is only applicable if less than half of the qualified bids are outlier bids. Otherwise, all qualified bids shall be considered in the calculation of average fees². For example, out of the 5 qualified bids submitted, if 1 or 2 of the bids are outlier bids, this process would apply.

QFM weightage – Quality (60%) : Productivity (20%) : Fee (20%)

	Tenderer A	Tenderer B	Tenderer C	Tenderer D	Tenderer E
% Fees Quoted	2.630	1.200	2.950	2.780	4.400

Step 1: Check for high outlier bids

Compute average fee of all tenderers:

$$\text{Average 1} = \frac{2.630 + 1.200 + 2.950 + 2.780 + 4.400}{5} = 2.792$$

Tenderer E's bid is more than 50% above the average of all qualified bids and shall be excluded from the calculation of F_{average} in fee-score formula

	Tenderer A	Tenderer B	Tenderer C	Tenderer D	Tenderer E
% Fees Quoted	2.630	1.200	2.950	2.780	4.400
Check high outlier	-	-	-	-	outlier

Step 2: Check for low outlier bids

Compute average fee of all remaining tenderers:

$$\text{Average 2} = \frac{2.630 + 1.200 + 2.950 + 2.780}{4} = 2.390$$

Tenderer B's bid is more than 20% lower than the average of all remaining qualified bids

	Tenderer A	Tenderer B	Tenderer C	Tenderer D	Tenderer E
% Fees Quoted	2.630	1.200	2.950	2.780	4.400
Check high outlier	-	-	-	-	outlier
Check low outlier	-	outlier	-	-	

Step 3: Compute F_{average}

There are 5 qualified bids and less than half of these are outlier bids. Hence, to exclude all outlier bids in F_{average} computation for fee-score formula:

$$\text{Faverage} = \frac{2.630 + 2.950 + 2.780}{3} = 2.787$$

$$0.8\text{Faverage} = 2.787 \times 0.8 = 2.296$$

² Please refer to more examples in QFM guide (version 17 November 2020) available on BCA website <https://www1.bca.gov.sg/procurement/tender-stage/quality-fee-method-qfm-framework>