

To: HELLASCO
2 Macedonon str.,
Athens 11521, Greece

Attention: Mr. P. Petrakopoulos, President

Brussels, 30th June2010

Dear Petro,

Following our telephone conversation in which you indicated that the Greek authorities are considering removing the lower limit on financial proposals for public works service contracts, I would like to offer the following comments:

1. Most of the European countries do not indeed have lower limits on financial proposals and use the restricted award procedure. The result is that, even for reasonable weights of the technical proposals in the evaluation, the financial proposal usually determines the winner, since the differences in grading of the technical proposals are limited. The consequence of this competition at the financial level is that the quality of services has begun to deteriorate, as consulting firms try to remain profitable.
2. As far as we know, the open award procedure is rarely used, for small and simple projects. Indeed, the open procedure does not guarantee competition between the most suitable firms, since all qualified firms can submit proposals; so, qualified firms of unequal expertise will compete for each project. If there are no limits in the financial proposals under this system, one could expect a clear trend in favour of the cheapest candidate, since the contracting authorities do not normally have the expertise to adequately assess the technical proposals.
3. Awarding consulting contracts to the cheapest candidate is wholly unsuitable for intellectual services, since their quality will clearly be compromised by considerations of cost. In particular consulting services, which to a large degree determine the quality of projects, have been found in the U.S. to constitute about 2% of the total project costs, including costs for construction and operation; thus any "savings" in this respect will have far larger implications in the cost of construction and operation of the projects.
4. In addition, the thorny issue of defining abnormally low tenders will become important; experience to date shows that it is very difficult to reliably define the threshold below which tenders should be considered as abnormally low. And awarding the projects to candidates with abnormally low tenders carries a substantial risk of seriously compromising the project.

In view of the above, we believe that that the lower limit on financial proposals for public works service contracts is an appropriate provision. Alternatively, a curve could be adopted for grading financial proposals that will not offer candidates higher grades for financial proposals below a

certain level. Failing that, it is imperative to foresee the application of the restricted procedure as the standard procedure for award of public services contracts and appropriate clauses for identification and rejection of abnormally low tenders.

Yours sincerely,



Panos Panagopoulos
President