ITEM 19

REF: CM146/06

T06-09 - TENDER FOR THE PROVISION, INSTALLATION AND SUPPORT OF A LIBRARY RADIO FREQUENCY IDENTIFICATION (RFID) SYSTEM
Report of Manager Library Services (NB) 28/08/06 SU24788

PRECIS

Tenders for the provision, installation and ongoing support of a Library Radio Frequency Identification (RFID) System – T06-09 closed at 3:00pm on 20 June 2006. This report is submitted on the completion of the assessment of the tenders.

RECOMMENDATION

1 In accordance with clause 178 (1) (b) of the Local Government (General) Regulation 2005, Council resolve to decline to accept any of the tenders for the proposed contract for the provision, installation and ongoing support of a Library RFID System.

2 In accordance with clause 178 (3) (e) of the Local Government (General) Regulation 2005, Council resolve to enter into negotiations with 3M Australia Pty Ltd and Checkpoint Systems (ANZ) Pty Ltd with a view to entering into a contract for the provision, installation and ongoing support of a Library RFID System to Council with one of these companies.

3 Council resolve that if these negotiations are unsuccessful, that Council end the negotiations and in accordance with clause 178 (3) (e) of the Local Government (General) Regulations 2005, Council enter into negotiations with other Library RFID system providers, with a view to entering into a contract for the provision, installation and ongoing support of a Library RFID System. (With negotiations only to be conducted with any one provider at any one time, and, if unsuccessful, ended before negotiations with another provider are commenced).

4 The reason, pursuant to clause 178 (4) (b) of the Local Government (General) Regulation 2005, that Council is resolving to enter into negotiations and not to invite fresh tenders, is that while both the preferred tenders have demonstrated the capacity to meet Council's requirements, the tenders contain non-conformities which mean that further negotiation is required to protect Council's position. Having undertaken the tendering process, Council is satisfied that negotiations with these providers is most likely to lead to an offer that is advantageous in all the circumstances.

5 The Chief Executive Officer be delegated authority to enter into and conduct the negotiations referred to in Recommendations 4 and 5, and to finalise the negotiations and decide whether to enter into the contract.

6 It is a condition of the Chief Executive Officer’s delegation at Recommendation 5 that, prior to entering into any negotiations, and independent financial assessment of both vendors be obtained and considered, and the Chief Executive Officer be satisfied that each vendor’s financial status and report is satisfactory, having regard to any issues or risks identified in the independent financial assessment.

7 It is a condition of the Chief Executive Officer’s delegation at Recommendation 5 that any draft contract proposed to be entered into following negotiations be reviewed from a legal and probity/legislative compliance perspective prior to the Chief Executive Officer deciding to enter into the contract.

8 Authority be granted for the affixing of the Common Seal of Council on the contract documentation for the provision, installation and support of a Library RFID System, in accordance with clause 400 of the Local Government (General) Regulation 2005.
BACKGROUND

Council, through the Information Systems Policy Group (ISPG), endorsed total expenditure of $947,000 between 2006-07 and 2010-11 Budgets for the provision, installation and ongoing support of a Library RFID System.

RFID is a set of technologies that enable tracking and monitoring of library items using radio waves and tags to replace bar codes and tattle-tape security. Tags will enable the library to process multiple items simultaneously, reducing handling by staff and maximizing self-service by customers. Benefits of the technology will include improvements in productivity, service, materials handling and collection management and reduced repetitive strain injuries for staff. RFID Systems in libraries free staff to offer improved customer service.

An RFID Project Team was formed to develop the technical and functional specifications and other documents for the tender. The Project Team would also complete the Tender assessment process.

The Governance Group – Technology Stream agreed that the Project Team would follow the Probity Plan established for the Library Management System (LMS) Project and use Council’s IT Contract with advice from Legal and Risk Section.

The tender assessment process involved the following stages:

1. Tender assessment of Form of Tender submissions
2. Product demonstrations and site visits
3. Financial assessment and Value for Money calculation
4. Final review
5. Recommendations.

Prior to calling tenders, the Tender Evaluation Team developed a tender assessment model including criteria, weighting and scoring methodology as the basis for evaluating the tenders.

The Invitation to Tender was issued on 30 May 2006 with 25 requests received for the documentation. The tender closed at 3:00pm on 20 June 2006 and submissions were opened by Council staff designated by the Chief Executive Officer to receive or deal with the tenders in accordance with clause 175 of the Local Government (General) Regulations 2005.

Tenders were received from the following:

**Company**
1. SirsiDynix
2. 3M Australia Pty Ltd
3. LeighMardon Australasia Pty Ltd
4. Civica Pty Ltd
5. Checkpoint Systems (ANZ) Pty Ltd.

**Tender Assessment**

**Stage 1 – Tender Assessment of Form of Tender Submissions**

In order to determine a score using the evaluation model each criteria was scored from 0 to 5 using the responses in the Form of Tender. Weightings were then applied.
Stage 1 - Weighted Results were:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting</th>
<th>Check-point</th>
<th>SirsiDynix</th>
<th>3M</th>
<th>Leigh-Mardon</th>
<th>Civica</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functionality</td>
<td>20%</td>
<td>0.6</td>
<td>0.8</td>
<td>0.7</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Usability</td>
<td>20%</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>10%</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Implementation</td>
<td>15%</td>
<td>0.45</td>
<td>0.45</td>
<td>0.6</td>
<td>0.45</td>
<td>0.3</td>
</tr>
<tr>
<td>Support</td>
<td>15%</td>
<td>0.45</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Planned development</td>
<td>10%</td>
<td>0.1</td>
<td>0.3</td>
<td>0.35</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Suppliers viability</td>
<td>10%</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>2.9</td>
<td>3.35</td>
<td>3.65</td>
<td>2.85</td>
<td>3.2</td>
</tr>
</tbody>
</table>

A minimum of fifty percent (50%) overall score was required for vendor to proceed. All vendors scored over fifty percent (50%) (2.5).

Tendered Price

The allocated budget as approved by ISPG was based on a proposal made in December 2005 which referred to indicative costings from a price list of a set of RFID technologies implemented at other libraries. Assessment of tenders indicated that the assumptions made based on that price list did not reflect the full cost of technologies required for implementation across all branches of our library service or the full cost of support and maintenance. None of the submissions were within the allocated budget.

However, the Tender Evaluation Team decided to continue with the assessment based on the benefits of the project and to establish an actual costing for this project.

Based on the assessment criteria “Tendered Price”, the Tender Evaluation Team decided that the three lowest priced vendors would proceed. The three lowest priced vendors were Checkpoint, 3M and Civica. These proceeded to Stage 2 – Demonstrations. Their costings were significantly lower than SirsiDynix and Leigh-Mardon.

Stage 2 – Product Demonstrations and Site Visits

Each of the remaining tenderers was invited to make a structural presentation to the Tender Evaluation Team. In each case, all members of the Tender Evaluation Team attended the demonstrations.

Site visits were made to West Ryde which was a reference site for the 3M RFID technologies and to Blacktown which was a reference site for the Civica RFID technologies. Checkpoint has over 150 sites using RFID but no Australian sites. The majority of their implementations have been in the USA and Canada. To replicate a site visit, a phone call was made to Manukau, New Zealand to speak with staff.
Stage 2 – Weighted Results:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting</th>
<th>Check-point</th>
<th>3M</th>
<th>Civica</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functionality</td>
<td>20%</td>
<td>0.8</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Usability</td>
<td>20%</td>
<td>1</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>10%</td>
<td>0.25</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Implementation</td>
<td>15%</td>
<td>0.75</td>
<td>0.75</td>
<td>0.3</td>
</tr>
<tr>
<td>Support</td>
<td>15%</td>
<td>0.6</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Planned development</td>
<td>10%</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Suppliers viability</td>
<td>10%</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>4.20</td>
<td>4.15</td>
<td>1.90</td>
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</tbody>
</table>

At this stage, the Tender Evaluation Team determined that the Civica RFID product did not meet Council’s functional requirements and they were excluded from further assessment.

Stage 3 – Financial Assessment

The Tender Evaluation Team has commissioned independent financial assessments of Checkpoint and 3M to be undertaken by Kingsway Financial Assessments.

The recommendations of this report make it a condition of the Chief Executive Officer’s delegation at Recommendation 5 that, prior to entering into any negotiations, the independent financial assessment of 3M and Checkpoint be considered, and the Chief Executive Officer be satisfied that each vendor’s financial status and report is satisfactory, having regard to any issues or risks identified in the independent financial assessment.

Stage 4 – Final Review

Value for Money

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Value for Money Final Score/Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M</td>
<td>3.515</td>
</tr>
<tr>
<td>Checkpoint</td>
<td>3.53</td>
</tr>
</tbody>
</table>

These two vendors’ value for money score is very close and both substantially meet Council’s functional requirements. However, the Tender Evaluation Team decided to recommend Council not accept any tender due to the areas of functional non-conformance and the need to agree on hardware requirements. It is the Tender Evaluation Team’s opinion that Council would be best served to reject all tenders and negotiate with these two vendors on these issues.

PROPOSAL

The tenders submitted by both 3M Australia Pty Ltd and Checkpoint Systems (ANZ) Pty Ltd appear to be equally advantageous to Council. However, it is recommended that the tenders submitted not be accepted by Council as, whilst they substantially comply with Council’s Invitation to Tender, functional non-conformities are identified and variations proposed which need to be negotiated. These relate to but are not limited to equipment requirements which vary with each vendor.

It is therefore proposed that Council resolve to decline to accept any of the tenders which have been received, decline to invite fresh tenders and to authorize the Chief Executive Officer to enter into negotiations with a view to entering into a contract for an RFID System which, having regard to all the circumstances, is most advantageous to Council.
CONSULTATION AND COMMUNICATION

Tender Evaluation Team
- Susan Roberts, Manager Library Services
- Neroli Blakeman, Library Support Services Manager (Project Manager)
- Paul Marskell, Senior Co-ordinator Information Technology
- Andrew Main, Systems Librarian
- Dennis Williams, Legal and Risk
- Peter Weber, Legal
- Jackie Rowland, Procurement
- Botany Library, Manukau N.Z.
- West Ryde Library
- Blacktown Library
- Brian Jenkins, Manager Finance
- Mark Protolipac, Management Accounting
- Melissa Bowyer, Management Accounting

FINANCIAL IMPLICATIONS

As the approved funding was not adequate for any of the tenders, the Governance Group (21 August 2006) approved additional funding of $73,000.00 to ensure the project could progress to negotiation stage if these recommendations are approved by Council.

OPTIONS

Council may:-
1 Accept the recommendations of this report; or
2 Reject the recommendations of this report; and
3 Decline to accept any of the tenders and;
   (a) Postpone or cancel the proposal for the contract for RFID; or
   (b) Invite fresh tenders for the contract for RFID, based on the same or different
       details; or
   (c) Invite fresh applications from persons interested in tendering for the proposed
       contract.

CONCLUSION

The Tender Evaluation Team has completed a rigorous assessment of the RFID tenders and has determined that it would be advantageous to Council to negotiate with both 3M and Checkpoint to ascertain which company is able to provide the best-fit equipment to meet our specific needs, and to ensure satisfactory project outcomes.

RFID provides important benefits for the Library Service now and into the future which are not possible through the current electromagnetic/self-check technology. The benefits which can be realized now include improvements to productivity, a better customer experience of self-check, improved Occupational Health and Safety for Library staff, more efficient materials handling and greater security for the collection, a valuable asset. Into the future, additional benefits will include improved collection management, customer self-returns, improved item security and further developments in the technology as a result of market pressure.
This report provides Councillors with all the relevant information and is correct at the time of writing. This information has been relied upon in preparing the report and its recommendations. Signed by:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position Title</th>
<th>Date</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neroli Blakeman</td>
<td>Library Support Services Manager – Author of the report</td>
<td>28/08/06</td>
<td></td>
</tr>
<tr>
<td>Susan Roberts</td>
<td>Manager Library Services</td>
<td>28/08/06</td>
<td></td>
</tr>
<tr>
<td>Sue Baker-Finch</td>
<td>Chief Operating Officer</td>
<td>31/8/06</td>
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</tbody>
</table>

**ATTACHMENTS**

There are no attachments for this report.