

## Bidding and Contracting Procedures for Public Works of the Tokyo Metropolitan Government (valued at 500 million yen or more)

Contracts issued by TMG are performed in accordance with the Local Autonomy Act and related laws and orders.

### How to Participate in Bidding Procedures of the Tokyo Metropolitan Government

- (1) Successful contractors for public works are required to be licensed to conduct construction business and to have undergone the business evaluation.
- (2) Business operators that plan to participate in bidding procedures of the Tokyo Metropolitan Government (TMG) are required to be qualified by TMG through application for confirmation of qualification for participation in competitive bidding for construction works, etc.
- (3) Only business operators who are qualified and meet conditions for qualifying bidders specified for each project can participate in bidding.

#### [Projects subject to the WTO]

- (1) Successful contractors for public works are required to be licensed to conduct construction business and to have undergone the business evaluation.
- (2) Business operators that plan to participate in bidding procedures for projects subject to the WTO are also required to be qualified through application for confirmation of qualification for participation in competitive bidding for construction works, etc.  
 Non-qualified business operators, including overseas enterprises, are able to become qualified after submitting an application for confirmation of qualification for participation in competitive bidding for construction works, etc., and other documents to TMG by the date and time notified for each project, and then undergo an evaluation by TMG.
- (3) Business operators who are qualified and meet conditions for qualifying bidders specified for each project can participate in bidding.

### Bidding Methods

A picture of the coverage of open and competitive bidding, restricted-procedure open and competitive bidding and the low-bidding price investigation system

		Projects subject to the WTO
Low-bidding price investigation system Coverage	2.47 bil. yen or more	Open and competitive bidding
	900 mil. yen or more	Restricted-procedure open and competitive bidding
	500 mil. yen or more	

Contracts by TMG are performed as specified in the Local Autonomy Act, the Order for Enforcement of the Local Autonomy Act, and the Tokyo Metropolitan Government Regulations on Administrative Affairs for Contracts.

Contracts on large-scale public works are concluded through open and competitive bidding procedure. Other contracts are concluded through public invitation designated competitive bidding procedure or discretionary contract system.

Procurement contracts that are valued no less than the thresholds specified in the “Agreement on Government Procurement” are concluded through open and competitive bidding procedure as contracts subject to the WTO.

The thresholds are reviewed every two years and announced by the Minister of Internal Affairs and Communications.

[Thresholds subject to the WTO] (April 1, 2016-March 31, 2018)

Construction	No less than 2.47 billion yen
Construction-related commissioned projects, e.g., designing	No less than 240 million yen

[Open and competitive bidding procedure]

TMG adopts this method for projects whose ceiling prices are no less than 900 million yen. JV (joint ventures in construction) projects valued no less than 500 million yen and projects applying the comprehensive evaluation bidding system are contracted through restricted-procedure open and competitive bidding.

[Resolution of the Tokyo Metropolitan Assembly]

Contracts on construction/manufacture projects whose ceiling prices are no less than 900 million yen cannot be concluded without a resolution of the Tokyo Metropolitan Assembly.

### Determination of a Successful Bidder

(1) Lowest-limit price system and Low-bidding price investigation system

	Building work	Civil engineering work	Equipment installation work
Subject to the WTO (2.47bil. yen or more)	Applies to the low bidding price investigation system		
Amount expanded by the provisional measure (Three years from 2015 to 2017)	Expands the work to which the lowest-limit price system applies		
Increase according to the amendment of the Regulation (2015~)	Less than 600 million yen		
Previously (~2014)	Less than 500 million yen	Less than 500 million yen	Less than 250 million yen
		Less than 400 million yen	Less than 120 million yen

Normally in contracts by local governments, a participant with the lowest bid price within the scope of restrictions of the ceiling prices is automatically defined as a successful bidder (the lowest price bid system).

However, if the bid price that is about to win is unreasonably low, the performance of the contract may be uncertain with concerns regarding an unexpected loss to the local government and a decrease in work quality. In order to ensure the performance suitable for the contractual coverage, TMG has two systems as the exception of the lowest price bid system.

The first is the lowest-limit price system. In this system, the participant with the lowest bid among those who make a bid equal to or higher than the lowest-limit price is defined as a successful bidder, by setting the lowest-limit price in advance, to eliminate participants who make a bid lower than the lowest-limit price.

The second is the low-bidding price investigation system. Business operators are investigated,

when their bid prices are lower than a predefined reference price for investigation. Only when the results of the investigation on grounds for calculation of the bid price and the system for performance of the contract show that the performance is able to be conducted in accordance with the contractual coverage at the tendered price, the participant is defined as a successful bidder.

TMG classifies projects to which the Lowest-limit price system and the low-bidding price investigation system apply by work type and the ceiling price, which is shown in the chart above.

In addition, as a provisional measure, the work to which the lowest-limit price system applies is expanded. The period to which this provisional measure applies is three years from April 1, 2015.

## (2) Comprehensive Evaluation Bidding System

In the comprehensive evaluation bidding system, a participant who has the highest rating in a comprehensive evaluation of non-price elements, such as time frame of the construction, function, and safety, as well as price, will be defined as a successful bidder.

TMG is testing four evaluation methods according to ceiling prices and technical issues of the works project.

Classification	Project	Price range	Note
Technical proposal type	Works whose level of achievement of cost, performance, and function varies according to technical proposals	2.5 mil. yen or more	
Technical capability assessment type	Medium- or large-scale projects with technical issues	Building: 220 mil. yen or more Civil engineering: 160 mil. yen or more Equipment installation: 100 mil. yen or more	Ineligible for WTO
Technical performance assessment type	Relatively large-scale projects with few technical issues	Building: 350 mil. yen or more Civil engineering: 250 mil. yen or more Equipment installation: 120 mil. yen or more	Ineligible for WTO
Construction capability evaluation type	Small to medium-scale projects	Building: less than 350 mil. yen Civil engineering: less than 250 mil. yen Equipment installation: less than 120 mil. yen	Ineligible for WTO

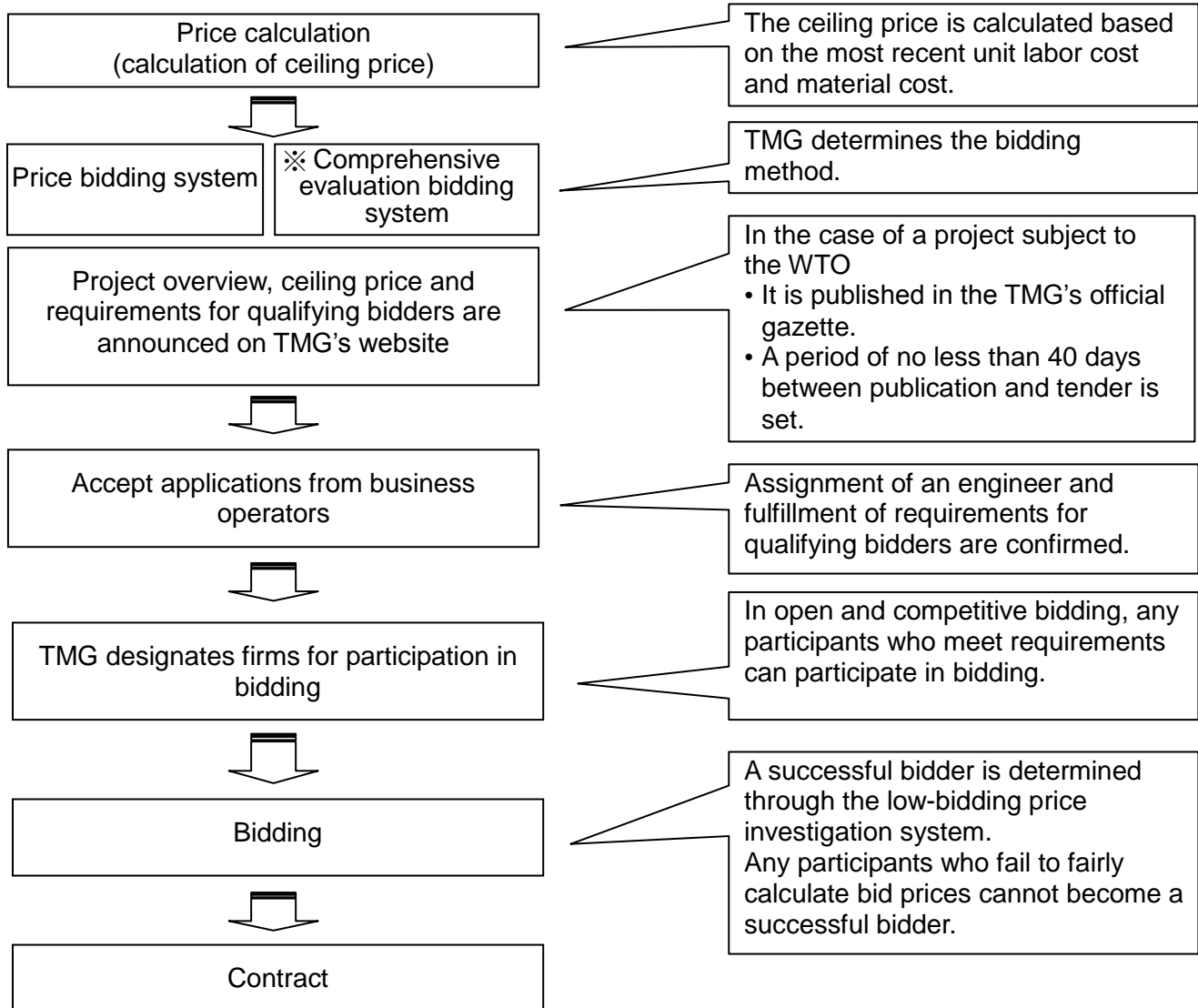
## Obligation of Engineer Assignment

In order to ensure an appropriate construction work, the Construction Industry Act requires business operators to assign an engineer who satisfies certain requirements to the construction site of construction work for which they have been contracted.

Engineer to be assigned	Managing engineer	Chief engineer
Total of subcontract prices on the basis of the original contract	30 million yen or more (45 million yen or more in the case of general building work)	Less than 30 million yen (less than 45 million yen in the case of general building work)
Qualifications required for engineers	<ul style="list-style-type: none"> <li>○ First-class national qualification</li> <li>○ Person who has business experience (excludes seven specified types of business)</li> </ul>	<ul style="list-style-type: none"> <li>○ First-class national qualification</li> <li>○ Second-class national qualification</li> <li>○ Person who has business experience</li> </ul>

## Process Flow from Price Calculation to Contract (open and competitive bidding)

TMG's contract procedures are carried out, from applications for confirmation of qualification for participation in competitive bidding for construction work, etc., to contracts, in principle through the electronic procurement system.



※ In the case of projects that go through the comprehensive evaluation bidding system, participants will be required to produce documents, such as technical proposal, by the due date designated by TMG.

- This contract system is effective as of April 1, 2016.
- See the TMG website (TMG electronic procurement system) for a summary of each project.

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