

**TORBAY COUNCIL
MD SUPPORT - PROCUREMENT REPORT**

Report No:AM/Copiers

Title: Photocopiers - Report for Contract File

To: Steve Parrock / Cllr James / Bill Norman

on 02 Aug 2004

1. Background

Following the establishment of the Corporate Procurement function I was asked for my advice and involvement with regards to the renewal of photocopier machines which were near to their lease expiry. I undertook investigations into the Council's present arrangements and started to investigate the Council's possible options. Analysis of our spend profile highlighted the fact that the Council's level of spend is beyond the EU threshold limits.

Due to the level of spend to comply with the EU Directives, the Council would normally have to tender the requirement of photocopiers via the Official Journal of the European Union (OJEU). However, the Council can partake in and use the Framework contracts tendered by the Office of Government Commerce (OGC) and Devon Purchasing (DP) who have tendered on behalf of all Local Authorities on a national or regional basis.

The majority of Torbay Council's photocopiers have been contractually leased via the Print Unit using the above Devon wide purchasing agreement (DP39) which is presently placed with Ricoh. This contract was previously placed with OCE. The Council also has a number of other leases with a number of other suppliers.

OCE in 2002 decided unilaterally to pull out of the low volume (LV) copier market and gave Torbay Council 30 days notice of their intention to recall all their LV copiers. This resulted in the Torbay fleet being recalled and "swapped out" in 2002 and hence the move to Ricoh for LV machines via the above DP contract. The Council does however still have a number of OCE machines on lease for High Volume (HV) copiers. The Council also has several existing contracts that expire at varying future points in time with other suppliers such as Xerox and Canon.

Torbay Council has not previously negotiated or entered into a direct supply agreement contract with any sole photocopier supplier for the Council's entire fleet. It is due to this fact that the Council presently has a number of suppliers and various contractual agreements for copier leases throughout the authority with no overall control or information on their expiry or the prices paid.

However, as stated above a large number of the copiers have been organised and leased via the Print Unit for which the Council has all the relevant information, which can now be used as a base platform for present and future negotiation.

2. Market Information

The Photocopier market is well developed with many competitors and like for like products with a low risk of supply failure. Competition for business is healthy. The UK market is targeted by several foreign manufacturing companies using their UK based subsidiary companies and a network of independent dealers.

There are a number of foreign major manufacturers who dominate the market, leading the field are Xerox, Canon, OCE, Konica, NRG and Ricoh UK. The Manufacturers are known to produce machines and re-badge them to the market for the different companies that they own for example Ricoh Japan own both NRG and Ricoh UK which trade as separate entities and in competition with each other in the UK market place.

3. Analysis / Commercial observations

Having investigated the market and obtaining the prices that are available from the suppliers who are party to the OGC framework contract, it highlighted the fact that the DP contract was not as competitive and that NRG supplied the lowest value for money rates.

A quirk of the market investigations was to find out that NRG, one of the OGC contracted suppliers are the “sister” company of Ricoh UK and owned by Ricoh Japan. They therefore provide the same copiers, which are “badged” for the companies as appropriate.

Torbay Council could therefore obtain Ricoh copiers under the OGC Framework from NRG at prices approximately 20% less than the present prices paid to Ricoh UK.

Further potential savings of approximately 30 to 40% could be achieved by moving from independent machines to multi-functional devices as well as the further benefits of: -

- Reduction in telephone charges,
- Reduced purchases and need of independent and stand alone business machines
- Reduced purchasing of the associated consumables for above
- Improved management information and control
- Efficiency in performance and better use of staff time.

4. Strategy / Tender Process

As stated above to ensure the Councils compliance with the EU directives, if the Council did not partake in the OGC or DP framework agreements, the Council would have to go out to tender via OJEU. As investigations have shown that the OGC framework does offer the best value for money option nationally it makes logical and strategic sense to partake in one or the other of the framework agreements.

Torbay Council has a quantity of 67 Ricoh machines on lease at present, to switch suppliers would have meant at the expiry of a lease to phase out the Ricoh machines and phase in the new supplier's machines. Unfortunately for the majority of the 67 machines above we have 12 months of the lease to run. (2 years of 3 year leases re OCE pull out) and therefore could not switch immediately between suppliers. Our purchasing strategy therefore had to be to explore opportunities with Ricoh first.

In light of the above Ricoh were invited to a meeting to negotiate with the Procurement Manager (PM). This negotiation has resulted in an offer from Ricoh to match the prices offered by NRG, which would equate to a 20% reduction in the current rates paid by the Council. The PM also managed to obtain the reduction on all existing leased copiers from Ricoh with immediate effect. (Email Appendix attached)

5. Recommendations

To procure all the Council's future requirements for copiers, via the "Devon Wide" framework agreement with Ricoh. This should be reviewed four yearly to test the market and ensure we are still receiving the best value for money. It should be noted that as future savings and plans require a partnership arrangement, it would be more difficult to obtain provision from another supplier.

Existing leases with other suppliers should be honoured until expiry or are subject to a settlement agreement and then phased out or replaced with Ricoh.

That a Strategic Procurement Group is formed to review the possible future migration to Multi-functional devices and develop the business case to do so. The review should also include the business case links to our postal processes and management of large print and/or photocopy jobs which in some instances are presently being manually input to envelopes and also do not attract Post Office discounts.

That Ricoh are invited to undertake a "print audit" in conjunction with the above team to provide the management information used to identify and inform the business case. Such print audits normally cost approximately £10k and are paid up-front. The Procurement Manager has negotiated this audit fee out and is only to be re-paid to Ricoh from the actual savings when achieved.

Due to fact there was a number of complaints by users about the quality and reliability of OCE machines, plus their unilateral recall of Low Volume machines in 2002 which left the Council with a supply predicament at the time and had an adverse impact on the organisation OCE in my opinion should not be recommended for obtaining any future business from the Council.

This value of the contract when aggregated is approximately £250,000 per annum, spend with Ricoh is £83,000 at present known spend. A 20% percent saving per annum has been agreed.

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6. OJEU info / Statistics / Contract Values

Procurement information			
Title	Photocopiers	£ Spend Value Per annum	Approx Present Total £250k £ 83k with Ricoh
Savings %	20%	£ Savings on spend Per Annum	Estimated £30 to - £50k Based on present spend with Ricoh and the migration of near to expiry leases with other suppliers.
Potential other Savings	30-40% from reduced purchases on machines and consumables. Printer management on-line networked Scan and Fax facilities Linked to postal process and PO rates.	Savings on total Life of Contract	£250 to £500K
Procedure	Partake in Devon Wide agreement DP39. (As amended July 2004)	OJEU ref	DP39 undertaken by Devon
Requested	Jul 2004	Suppliers invited	RICOH (already let)
Award	M.E.A.T. P60/Q40 Best offer = Ricoh DP39		Prices re-negotiated by Torbay Jul 2004
Review	4 to 5 year note Partnership arrangements due to nature and dates of leases and the possible migration to MFD's and networked solution		Note that Plymouth CC also benefit from this negotiation and they have been informed they have approx qty 200 – machines on lease from Ricoh.

Appendixes

- 1) Torbay Councils list of Ricoh machines on agreement (provided by Ricoh)
- 2) Benefits of migration to Multi-Functional Devices (MFD's)
- 3) Ricoh info of emails re rates.
- 4) Ricoh letter re Print Audit – benefits
- 5) Creditors Spend information