

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

GPR/W/64/Add.3

15 March 1985

Special Distribution

Committee on Government Procurement

Original: English

## ADDITIONAL INFORMATION CONCERNING THE TREATMENT OF HIGH-PRICED BIDS

### Replies to Questions Contained in GPR/W/64

#### Addendum

The following replies have been submitted by the delegation of Finland.

- (a) Does an entity pre-determine a standard price in view of helping competent officers to judge whether the tenders are too high or not?

According to Finnish procurement legislation the buying entity can reject all bids if they are judged too high or otherwise disadvantageous. However, standard prices are not pre-determined.

- (b) In case an entity does not predetermine a standard price, how can it avoid an arbitrary judgement of the high-priced bids and keep the competition fair? and
- (c) What kind of criterion do the Parties adopt in order to conclude contracts within a limited budget?

In case of frequently purchased goods, the entities follow the development of prices by comparing the prices obtained in consecutive tendering competitions and judge the moderateness of possible price increases on the basis of known development of similar prices and/or costs in the branch in question. The yearly procurement budgets are as a rule inflated responding to the general level of price increases.

In case of goods that the entity has not purchased recently or previously it may be more difficult to judge the "correct" price level, especially if there is lack of possible suppliers or the competition is restricted, e.g. because of the existence of an international price cartel. Even if the entity does not pre-determine a standard price, it must obtain an estimated price to enable the budgeting of funds for the purchase. This is done as far as possible through available price quotations or pre-enquiry.

Especially in case of a technically difficult or totally new product, the prices given in tenders may turn to be higher than the budgeted price. The Finnish procurement legislation allows in such cases that the buying entity converts to negotiating procedure with the tenderers in order to resolve technical or cost difficulties or lack of competition. If the discrepancy of budgeted and tender prices cannot be adequately resolved, the entity may purchase a smaller quantity than originally intended, or in case this is not possible, cancel or suspend the procurement in order to renew the budgeting procedure for obtaining more funds for the purpose.