

MANAGING THE MARKET

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How do government libraries respond to the climate of market testing? This paper defines market testing and contracting out as they apply to central government and identifies the stages departments need to follow in order to manage such major changes. The experience of MAFF and DoH are used as case studies.

Introduction

I am certain that most librarians will have heard about the Government's programme of market testing and particularly the local government version, Compulsory Competitive Tendering (CCT). This paper concerns the way in which market testing in central government has affected the supply of publications to department libraries. It is based on my direct experience in the Ministry of Agriculture, Fisheries and Food (MAFF), and also on what I have learnt from colleagues in other departments. Despite the specific focus of the paper I believe that it will be relevant to those of you in other library sectors either because its lessons are relevant to the relationship between libraries and their suppliers generally or because a form of market testing or competitive tendering will come your way sooner or later.

I will begin by defining market testing and competitive tendering as they apply to government departments, and then set out briefly the steps which have to be followed in a market test, showing how they have had an impact on library suppliers. I will then talk in detail about the route which MAFF has taken and for which I was largely responsible, and then briefly cover what has happened in other departments. As a short interlude I will also emphasise the point that there are other areas of government work which may also be affected by the consequences of market testing and which are relevant to librarians.

In conclusion I will summarise the main lessons which have arisen from this part of my experience, as they apply both to library suppliers and to librarians.

Background to market testing and competitive tendering

Definitions

These definitions come from the Office of Public Service and Science (OPSS) guidance to departments:

"In market testing, an activity currently performed in-house is subjected to competition. Whether the decision is taken to contract out, or to retain the work in-house, the market test can ensure that the service will be delivered in the way which gives the best value for money. Market testing compares with 'make or buy' decisions in the private sector, and exists to ensure the efficient provision of services to the public."



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Competitive tendering "...enables buyers to select between suppliers able to meet an identified requirement based on analysis of value for money criteria."

It is worth emphasising that you can choose to run a competitive tendering exercise without considering a market test, and also that competitive tendering is a process which may result from the decision to carry out a market test.

Stages of market testing

The first stage is to review the area of work under consideration in order to establish that it should continue to be a part of the work of a government department (e.g. consider if privatisation is possible), then to establish if it is an area where competition and the availability of commercial suppliers make it suitable for a competitive tendering exercise.

If the work does appear to be an appropriate candidate for competitive tendering, the competition phase begins. This requires the drafting of a specification against which in-house staff and commercial organisations will bid. Bids are evaluated against criteria established at the outset, leading either to a contract being let with the commercial supplier, or to in-house staff being signed up to Service Level Agreements. The service is subject to regular monitoring against targets agreed in the contract or SLA, together with further testing after an agreed period, often three years.

This is of course a considerable simplification of the process, and anyone wishing to know more would be well advised to turn to the latest issue of *State Librarian*¹ (published by HMSO) devoted to the proceedings of the Circle of State Librarians' 1993 Annual Study Day, or to the OPSS publication *The Government's Guide to Market Testing*².

It is worth pointing out that to date, market testing of Government libraries has proved fairly unprofitable for the private sector. In those cases where library staff teams have made a bid to carry out their work, they have all been successful. However, there have been some areas where staff have not been involved in a bid, and these have resulted in contracts with commercial suppliers, notably at MAFF and the Department of Health (DoH).

Ministry of Agriculture, Fisheries & Food

At MAFF the decision to look at library supply arrangements arose as part of an efficiency scrutiny of the library service. It was decided that contracts should be drawn up with suppliers of books and periodicals in order to increase the efficiency of supply by reducing the number of suppliers used, by seeking better terms and conditions of supply, and by asking suppliers to take on some of the burden of bibliographical checking, and management reporting.

At the time of the scrutiny report (1991), MAFF was operating a centralised purchasing unit on behalf of a dozen professionally staffed libraries. Despite this, it was apparent that the development of Executive Agencies within MAFF was leading to greater independence for its larger research establishments, and that a move to a more responsive approach to publications supply was required.

I would describe the decision to undertake a controlled competitive exercise as a kind of managed market test. Instead of saying that suppliers could bid to do the work in any way that they liked, MAFF decided to manage the process and play an active part in choosing the suppliers, working with existing staff and procedures. In August 1991, assisted by colleagues and legal and purchasing experts in MAFF, I drafted a specification for book and journal supply which laid down our requirement and suggested areas where suppliers could enhance the service to MAFF (e.g. providing management information, meeting certain targets etc.). This specification was then sent to a total of 34 suppliers identified from our own experience and the membership lists of the National Acquisitions Group.

The suppliers were given a three week deadline and invited to register their interest in supplying either all or part of our requirement. Of the 34, 22 replied positively. Working from their statements of interest those 22 were further reduced to 16, divided equally between book and journal suppliers.

Visits

In January and February of 1992, the 16 suppliers were visited by myself and colleagues responsible

for the separate areas of procurement (books & journals) as appropriate. The aim of the visits was fourfold: to establish personal contact; to gain a view of the company's ability to meet our requirements; to look for good ideas which we could ask other suppliers to copy; and to negotiate gently - in order to establish the terms and conditions we could reasonably expect to result from a formal tender.

Shortlist

Following these visits and an evaluation of results, a shortlist of eight suppliers (evenly split between books and journals) was asked to bid formally against a specification drawn from that sent out initially, but revised in the light of our experience. The resulting tenders were considered and contracts (again based on the initial specification) were signed with two journal agents, two book suppliers, a London book shop, a specialist in legal materials, and a specialist in grey literature.

These contracts, for a period of three years, were signed in September 1992. As you can see, this process took a whole year! Despite this I am confident that it worked in MAFF's favour and that it was the right way to approach the exercise.

Benefits

I think that it is useful at this point to attempt to characterise why this approach was effective for MAFF.

Firstly, it resulted in contracts with a 'basket' of suppliers, allowing an element of choice for library staff and competition between suppliers. The agreed terms and conditions are triggered by attaining target levels of business, but there are no absolute levels of business and this has prevented problems arising as a result of the structural changes in MAFF, and the contraction of some libraries.

Secondly, we learnt as we went along and developed much more expertise and understanding of what was possible by the time the formal tender came around. If we had gone straight to this without the expressions of interest and the visits, I think that the outcome would

have been very different. We certainly would have been less demanding.

Thirdly, the long run-up time allowed us to respond to new situations. By the summer of 1992 it was clear that MAFF's agencies would want to do their own procurement, so we inserted a clause in the contracts allowing them to carry out their own purchasing but still under the contract terms and contributing to the overall target volumes. This was a very useful late change.

Other Departments

In most cases of market testing of departmental libraries to date, library supply has not been an issue, so I have not listed these exercises. At present a number of other departments are considering the contracts approach followed by MAFF, notably the Department of Transport and the Department of Trade & Industry. In addition at least two others have indicated that it might be the way forward for them.

Department of Health

At the DoH a management decision was made to market test the library service provided to the department and its agencies. As part of the evaluation stage a decision was taken to split the work into two discrete areas: library and information services to users, and publications supply. Suppliers were then invited to bid for the latter area, and the in-house staff were given the opportunity to bid (uncontested) for the former.

The result of this was a successful bid from a subscription agent to procure all types of publications for the Department, using a number of subcontractors for specialist areas of supply. This approach can definitely be described as a market test, since DoH managers had decided that the whole process of publications supply could be carried out by an outside organisation.

This was an unusual approach in that one characteristic of a true market test is that in-house staff bid against the private sector. However, in this case it would have been very difficult for staff to have successfully bid without linking up with a library supplier themselves. It also allowed them to direct their resources towards their successful bid to provide library services to the department.

Other areas affected

I thought that it would also be useful to mention that market testing and contracting out do not only affect library services, but that there are other areas such as supply of departmental publications which may have an impact on libraries outside the Civil Service.

MAFF first contracted out its publications supply to a commercial mailing house three years ago, and the Department for Education and others have done likewise. For MAFF this only affected the department's own free or priced publications with much material still being published via HMSO.

However, in a recent development, the Health and Safety Executive (HSE) passed all responsibility for supply of its publications to Dillons and to Promotional Logistics (Prolog), resulting in HMSO's being unable to supply any of its publications. I suspect that this has been a rather confusing change for the general public.

While there is no particular reason why these changes should lead to problems with supply, it is clear that they do require librarians to become aware of a number of separate suppliers rather than relying on HMSO. It should also be incumbent on departments to publicise their arrangements for publications supply, and ensure that any new arrangements do not make it more difficult to identify and retrieve official information.

It is, however, likely that many more departments will look at what HSE and others have done, and will consider such a change themselves. As a result, HMSO may find its role severely limited, requiring librarians to take a much more flexible approach when tracing official publications.

Conclusion

To conclude, I would like to offer a few suggestions aimed firstly at librarians and then at library suppliers as to the best way to manage these challenges.

It is vital that we use our expertise to control major changes such as the contracting out of services. We are employed for our specialist skills and we should endeavour to use those skills to the best advantage of our employers. To me this

means managing the process and ensuring that resulting systems are appropriate to professional control and that they accurately reflect what we know to be our users' needs. It is often easy for professional purchasing managers to underestimate the complexity of the library supply market and we must always work to see that this does not happen, since it is we who will often have to pick up the pieces!

More importantly we should never forget the fact that we will have to work closely with our library suppliers. This is best done in an atmosphere of mutual respect, understanding and benefit. If we seek to exploit our suppliers we will suffer in the future if they stop trading or if we find that they are unable to continue to offer the good service for which they are largely known.

Turning to suppliers, I believe that for government libraries the future will bring a move to a world of partnerships where librarians will need to work together with suppliers in order to demonstrate that they can provide services to their parent departments effectively and efficiently. This means a better understanding of librarians' needs, and greater flexibility. It will also be necessary to take a long view, investing at the outset in order to maintain a relationship over a lengthy period. I think that it is this kind of strategic alliance that will ensure that government libraries continue to develop amidst the current climate of challenge and the increasing demands for improvements in efficiency.

References:

1. *State Librarian*, Vol 41, No. 3. HMSO, 1994. ISBN 0118875450
2. *The Government's guide to market testing*. HMSO, 1993.

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