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# Panel contracts' **benefits** for ICT

**PANEL CONTRACTS ARE** widely used to provide a pre-selected list of suppliers, from which an organisation can pick and choose for particular jobs. Although typically used for professional services providers, they can be great too for wider purposes, such as supply of goods and services, software development, etc. When handled well, panel contracts can cut down on the time and cost of going through repeated RFPs.

Recent public sector changes in Australia have put the spotlight on panel contracts, in a way that is informative for the private sector too. (However, the private sector has freedom to move away from the public sector constraints).

Central government in Australia now has some mandatory rules for procurement and there is a special provision for panel contracts. Those rules (and new Auditor-General procurement guidance) should be applied by all public sector agencies, ranging from local government to Crown entities. There's an increase in panel contract use for public sector ICT.

Panel contracts can be structured in a number of ways to best meet needs. What's best depends on the situation (see <http://www.wigleylaw.com/Articles/LatestArticles/panel-contracts/>).

In the online article mentioned above, we refer to some excellent online South Australian

government guidelines (see <http://www.spb.sa.gov.au/documents/Panel%20Contracts%20Guideline%20v1.0.pdf>).

They are a good read for anyone thinking about the advantages and challenges of panel contracts.

Those guidelines note some of the benefits, such as:

- Negotiating high levels of customer service and competitive prices;
- Reducing time and cost, by

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stopping multiple and expensive competitive purchasing processes, speeding up the process, and using standard framework contracts;

- Taking an approach focused on the real needs of the customer;
- Reducing the vendors' costs of pitching for business (which can effectively be passed on to the customer);
- Stimulating relationships and opportunities for strategic alliances and partnerships.

That last one is an unsung benefit of panel contracts. Once the panel is on board, the customer and the vendors can proactively leverage off the relationships to get better outcomes. Both have more reason to develop the relationships. But that calls for good contract management after

the panel is appointed. Contract management is something that can fall away after the initial panel contracts are inked.

As stated in the article on panel contracts on [wigley.com](http://www.wigley.com), the customer should take a principled approach to how it selects which panel member to do what work. The overriding panel contract (the framework agreement under which specific orders are concluded) should outline that approach.

However, while fairness to the vendors needs careful consideration, there should be flexibility built in to the contract to ensure the organisation gets the goods and services it really needs.

It's not a good idea to get tied down with methodologies such as requiring each new job to go to the next panel supplier, in rotation (or to have an equal spend going to all).

This is unlikely to be "fair" to vendors in most practical situations, and this also locks the customer into getting goods and services it may well not want from a particular source.

Customers generally should not follow guidelines that suggest such a tight approach. What appears fair and sensible

at first sight can be decidedly counterproductive. The customer needs plenty more flexibility.

The South Australian guidelines are helpful on this point, suggesting a quadrant approach depending on whether the purchase is low cost/low risk, through to whether it is high cost/high risk.

With panel contracts, one of the key choices an organisation faces is whether to have panels with providers, which provide similar goods and services (apples and apples), or differing (apples and pears). Each has advantages and disadvantages. For example, the more homogenous panel enables a framework contract with nearly all terms in common, so that each new job is quickly agreed, via a simple, online click-accept approach.

So, with some lateral thinking, panel contracts can be widely used to benefit both ICT vendors and purchasers, in the right situations. ■

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