

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

RESTRICTED

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Committee on Government Procurement

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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 Japan.

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

Yes, it does.

Under the Japanese tendering procedure, when deciding a successful bidder, an entity, in principle, does not take into account such elements as bidder's credibility and ability to fulfil the contract (all bidders must have satisfied necessary qualification to participate in the bid) and the price is the only factor to be competed. Therefore, in order to assure the fairness of the bid and to avoid any arbitrary judgement of the competent officers, an entity predetermines an estimate price (an estimate price should be unique and be called "predetermined price") prior to the bid, and such estimate should have been based on the bidder's actual trading data, demand-supply situation, quantity of the products to be supplied, the term of fulfilment of the contract (long or short), whether or not exist any difficulty to fulfil the contract.

- (b) In the case where 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?

In Japan, an entity does not conclude a contract with any price exceeding the above-mentioned "predetermined price".

- (c) What kind of criterion do the parties adopt in order to conclude contracts within a limited budget?

See above.