

Tender for Motherwell Concert Hall

Reference No: 201002104 Decision Date: 11 October 2011

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**Kevin Dunion** 

Scottish Information Commissioner

Kinburn Castle Doubledykes Road St Andrews KY16 9DS Tel: 01334 464610



### **Summary**

Northern Light Stage and Technical Services Ltd (Northern Light) requested from North Lanarkshire Council (the Council) a full copy of the successful tender submitted by Stage Electrics Partnership Ltd (Stage Electrics) for the supply and installation of specialist theatre infrastructure for Motherwell Concert Hall and Theatre. The Council responded by withholding the information in terms of section 33 of FOISA, on the basis that disclosure would, or would be likely to, prejudice substantially the commercial interests of a company. Following a review, Northern Light remained dissatisfied and applied to the Commissioner for a decision.

Following an investigation, the Commissioner found that the Council had partially failed to deal with Northern Light's request for information in accordance with Part 1 of FOISA, by withholding the information under section 33(1)(b) of FOISA. He required the Council to disclose certain information from the tender.

### Relevant statutory provisions and other sources

Freedom of Information (Scotland) Act 2002 (FOISA) sections 1(1) and (6) (General entitlement); 2(1)(b) (Effect of exemptions) and 33(1)(b) (Commercial interests and the economy).

The Public Contracts (Scotland) Regulations 2006 (the 2006 Regulations) regulation 43.

The full text of each of the statutory provisions cited above is reproduced in the Appendix to this decision. The Appendix forms part of this decision.

### **Background**

1. On 3 August 2010, Northern Light wrote to the Council requesting a full copy of the successful tender submitted by Stage Electrics (for the supply and installation of specialist theatre infrastructure for Motherwell Concert Hall and Theatre).



- 2. The Council responded on 20 September 2010. It stated that the information requested fell within the scope of the exemption in section 33 of FOISA, in that disclosure would, or would be likely to, prejudice substantially the commercial interests of a company. It also concluded that the public interest in disclosing the information was outweighed by that in maintaining the exemption.
- 3. On 4 October 2010, solicitors acting on behalf of Northern Light wrote to the Council requesting a review of its decision (subsequent references in this decision to communications with Northern Light should be read as including communications with these solicitors, acting on Northern Light's behalf). Northern Light questioned the sensitivity of the withheld information and suggested that, even if specific elements of the tender required the protection of the exemption, these could be redacted and the balance provided to Northern Light.
- 4. The Council notified Northern Light of the outcome of its review on 1 November 2010. It confirmed its original decision, on the basis that section 33(1)(b) of FOISA was the relevant information.
- 5. On 8 November 2010 Northern Light wrote to the Commissioner, stating that it was dissatisfied with the outcome of the Council's review and applying to the Commissioner for a decision in terms of section 47(1) of FOISA.
- 6. The application was validated by establishing that Northern Light had made a request for information to a Scottish public authority and had applied to the Commissioner for a decision only after asking the authority to review its response to that request.

### Investigation

- 7. On 11 November 2010, the Council was notified in writing that an application had been received from Northern Light and was asked to provide the Commissioner with any information withheld from the applicant. The Council responded with the information requested (see the attached schedule) and the case was then allocated to an investigating officer.
- 8. The investigating officer subsequently contacted the Council, giving it an opportunity to provide comments on the application (as required by section 49(3)(a) of FOISA) and asking it to respond to specific questions. In particular, the Council was asked (with specific reference to the requirements of section 33(1)(b) of FOISA) to justify its reliance on any provisions of FOISA it considered applicable to the information requested.
- 9. The relevant submissions received from both Northern Light and the Council will be considered more fully in the Commissioner's analysis and findings below.



### Commissioner's analysis and findings

10. In coming to a decision on this matter, the Commissioner has considered all of the withheld information and the submissions made to him by both Northern Light and the Council, and is satisfied that no matter of relevance has been overlooked.

#### Section 33(1)(b) – Commercial interests and the economy

- 11. Section 33(1)(b) of FOISA provides that information is exempt information if its disclosure would, or would be likely to, prejudice substantially the commercial interests of any person, including a Scottish public authority. This is also a qualified exemption, subject to the public interest test in section 2(1)(b) of FOISA.
- 12. There are certain elements which an authority needs to demonstrate are present when relying on this exemption. In particular, it needs to identify whose commercial interests would be harmed by disclosure, the nature of those commercial interests and how those interests would, or would be likely to, be prejudiced substantially by disclosure. Generally, if substantial prejudice is being claimed to the interests of a third party, the views of that third party will be relevant (although the final decision on disclosure must be one for the public authority itself).
- 13. In this case, the Council applied the exemption in section 33(1)(b) on the basis that disclosure of the withheld information would, or would be likely to, prejudice substantially the commercial interests of the successful tenderer, Stage Electrics.
- 14. Commercial interests will generally relate to any commercial trading activity an organisation undertakes, such as the sale of products or services, commonly for the purpose of generating revenue and normally within a competitive environment. In considering the Council's reliance on the exemption, the Commissioner has first considered whether Stage Electrics has relevant commercial interests and he is satisfied in this case that it does: it is an organisation involved in the provision of goods and services in a competitive and commercial environment, the withheld information relating to such provision.

#### 15. The Council submitted that:

- The exemption would apply because there were "a very limited number of contractors within this highly specialised field". There had been only four expressions of interest for the contract in question.
- Disclosure would show the methodology employed by Stage Electrics to achieve the quality of service being offered and would allow competitors to "reverse-engineer key aspects of their delivery model".
- The tender set out in detail design aspects, deliverability of project management, and system design and installation, with accompanying detailed drawings. Disclosure would thus provide competitors with a "road map" of Stage Electrics methodology for providing the services.



- The criteria for contract award had been weighted in favour of quality over price, so
  disclosure of the quality aspect of the successful tender to a competitor would substantially
  erode the commercial advantage which had proved to be successful to the tenderer on this
  occasion, and thereby compromise their competitiveness for future work. A copy letter was
  provided, setting out Stage Electrics' concerns regarding disclosure.
- The case of Veolia ES Nottinghamshire Ltd and Nottinghamshire County Council [2010]
   EWCA Civ 1214 was relevant. In this case, the Council considered that disclosure of
   commercial confidential information would contravene article 1 of the first protocol to the
   European Convention on Human Rights (the ECHR), which provides that "every natural or
   legal person is entitled to the peaceful enjoyment of his possessions", particularly in
   circumstances where there were a limited number of direct competitors (one of these being
   the applicant).
- The tender process had been undertaken in accordance with the 2006 Regulations and the tender of Stage Electrics was submitted on the basis that it was "commercial, in confidence". The Council considered this to be "reasonable designation" for the purposes of the 2006 Regulations.
- 16. In considering whether disclosure would cause the level of harm required for the section 33(1)(b) exemption to apply, the Commissioner has had regard to views he has expressed in numerous decisions and reiterated in his briefing "Commercial interests and the economy". In relation to harm and this exemption, this briefing says:
  - "The harm which would, or would be likely to, result from disclosure must be at the level of substantial prejudice. There is no definition of substantial prejudice in FOISA, but the Commissioner's view is that in order to claim this exemption, the damage caused by disclosing the information must be both real and significant, as opposed to hypothetical or marginal. Damage would also have to occur in the near future, and not at some distant time.
  - FOISA sets out that that the exemption can be applied where release would be 'likely' to cause harm. The Commissioner therefore takes the view that there must be a significant probability that the required degree of harm would occur in order for the exemption to be appropriately applied."
- 17. The harm envisaged by the Council is with respect to potential future tenders for which Stage Electrics might compete. The Commissioner notes that the Council sought the views of Stage Electrics in relation to this information request, and then supplied him with a copy of the comments Stage Electrics provided. Both the Council and Stage Electrics were of the view that the tender document fell within the terms of section 33(1)(b) of FOISA because it provided details of not simply what was to be delivered (i.e. the service) but how it was to be delivered. Disclosure of this, a methodology which had been developed over time and through investment, would be to the commercial disadvantage of Stage Electrics. That is, any competitor would be able to view the quality elements of the bid and replicate them (at less cost than had been incurred by Stage Electrics in developing the methodology) in future tenders, and this would be to the detriment of Stage Electrics in undermining the investment it had made. These arguments extended to aspects of the presentation of the tender.

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- 18. The Commissioner acknowledges that some of withheld information is specific about the strategies the successful tenderer would employ should the contract be awarded to it and the approach they would take to implement those strategies and thereby fulfil the contract. Northern Light itself acknowledged that some information in the tender might fall within the exemption, and therefore qualify for redaction, but had questioned the extent to which this would be the case. The Council contended that given the highly specialist and technical nature of the withheld information, the limited information it could put into the public domain following redaction would be of minimal value.
- 19. Having considered the withheld information and the above arguments, the Commissioner does not accept that all the information in the successful tender falls within the terms of section 33(1)(b) of FOISA. However, he does acknowledge that some of it falls within the exemption. The Commissioner must be careful not to disclose the content of the information under consideration in his decision: while this limits his ability to explain his reasoning, the following paragraphs explain, as fully as possible in the circumstances, the Commissioner's conclusions about what information he accepts as falling within, and outwith, the terms of section 33(1)(b) of FOISA.
- 20. The Commissioner accepts, in the case of some of the information, a risk that disclosure would allow a competitor to acquire a detailed understanding of the methodology used by Stage Electrics, successfully in this instance, to comply with the technical requirements of the tender. Some of the withheld information could be described as technical in nature, representing what Stage Electrics will supply in terms of the contact. While there may be a similarity between this information and that supplied by another competitor, the Commissioner is of the view that certain information which is sufficiently descriptive of the products and services to be supplied, or the methodology to be employed in supplying them, would (taking account of all relevant circumstances, including the timing of the Council's consideration of the request in relation to the tendering process) fall within the terms of section 33(1)(b) of FOISA. He does not, however, accept that other information does fall within the exemption, for the reasons set out below.
- 21. The tender includes information which could be described as being of a general nature in relation to how the contract would be implemented: that is, why Stage Electrics should be awarded the contract, how Stage Electrics in general conducts its business, the business qualities of Stage Electrics, and so on. The Commissioner is of the view that such information would be expected to be part of such a tender and some of this information might be characterised as general industry good practice. In any event, some of this information is in the public domain, for example in respect of the successful tenderer as a business operation and products used in the tender.



- 22. Regarding the Council's contention that there would be a commercial disadvantage to Stage Electrics through competitors replicating the bid or its methodology, the Commissioner would expect that those involved in securing services via a tender including public authorities such as the Council would have sufficient expertise to differentiate between an organisation that is merely replicating the methodology of another contractor, and one which is evidencing the skills it has to offer. He does not accept that all of the relevant information in the tender could simply be replicated to the advantage of a competitor, whose unique set of experience and expertise would differ from those of Stage Electrics.
- 23. The Commissioner has also considered the application of section 33(1)(b) to the document insofar as it reveals the methodology adopted by the winning tenderer in presenting their bid to the Council. The Commissioner accepts that a competing bidder could gain insight into the type of format and style of document which might succeed in securing a contract. A competitor might frame a future bid for a contract of this type in a manner which replicated that of the successful tenderer (without necessarily duplicating the content), thereby potentially increasing their chances of success.
- 24. However, the Commissioner does not accept such an effect would, or would be likely to, amount to substantial prejudice to the commercial interests of the successful tenderer. The information contained in the tender may assist a competitor in becoming more adept in presenting a proposal in a way that is capable of being successful, but success in any case will depend upon the extent to which any bidder demonstrates (with relevant evidence) that it is capable of meeting the specification set by the contracting organisation in a particular set of circumstances, and that it can do so in a cost-effective manner and to the quality that is required. While the successful tenderer may in future bid for contracts to offer similar services, in competition with others, any such tender will be based on a different specification, requiring a response to the specific challenges presented by a particular job and client at the time of that tendering process. The Commissioner therefore considers that access to certain parts of the tender would not be likely to assist a competitor in future tendering processes to the extent that the commercial interests of the successful tenderer would (or would be likely to) be substantially prejudiced.
- 25. In addition, the Commissioner would observe that the winning tenderer owns the intellectual property in the withheld information. While FOISA may provide a right of access to information, it does not provide the recipient with a licence to copy or use it in contravention of those intellectual property rights.
- 26. The 2006 Regulations were mentioned by the Council in its submissions to the Commissioner. Its comments on the regulations appear to supplement its arguments on section 33(1)(b): there is certainly no suggestion that they have been advanced in support of any additional exemption under FOISA. The Council argued that Stage Electrics' bid had been submitted on the basis that it was "commercial, in confidence", which the Council considered to constitute "reasonable designation" in terms of the 2006 Regulations.



- 27. The Commissioner understands this to be a reference to regulation 43 of the 2006 Regulations. Regulation 43 (the full text of which is set out in the Appendix) provides that a contracting authority shall not disclose information forwarded to it by an economic operator which the economic operator has reasonably designated as confidential. For the purposes of this regulation, "confidential information" includes technical or trade secrets and the confidential aspects of tenders.
- 28. However, the Commissioner must also note paragraph 2.1.1 of the relevant Invitation to Tender (the ITT), which states:
  - "Regulation 8(1) of the Public Contracts (Scotland) Regulations 2006 (as amended) provides that the Regulations do not apply to procurement competitions for under threshold contracts. However, this ITT has been designed to be used in both above and below threshold competitions. Whilst it contains references to the Regulations throughout, the Regulations are not applicable to this competition. For the avoidance of doubt the Council is not bound by any provisions of the Regulations in operating this below threshold competition and under no obligation to offer a standstill period."
- 29. The Commissioner has not received submissions from either the Council or Northern Light on the effect of paragraph 2.1.1 of the ITT: in the submissions he has received, both the Council and Northern Light appear to suggest that the 2006 Regulations would apply. He has approached this point on the basis that they do.
- 30. The Commissioner notes the provision of the ITT (at section 5.1.11) relating to FOISA. Paragraph 5.1.11.2 requires tenderers to identify any information in their tenders they consider to be commercially sensitive, explaining what harm may result from disclosure and the time period applicable to the sensitivity. Paragraph 5.1.11.3 goes on to explain that information designated by a tenderer as commercially sensitive might still require to be disclosed in response to a request under FOISA, and that the Council will not accept any duty of confidence simply by virtue of the marking of information as "confidential" or equivalent.
- 31. The Commissioner acknowledges that these provisions of section 5.1.11 represent good practice in relation to the handling of information provided by tenderers. In general terms, they also reflect the requirements of the relevant exemptions in FOISA. Here, as indicated above, the Commissioner is only considering the application of section 33(1)(b). In this connection, he is not satisfied that the general designation by Stage Electrics of all of the information in its tender as "commercial, in confidence" should have any bearing on his consideration of whether disclosure the withheld information from that tender would, or would be likely to, prejudice substantially that company's commercial interests. Even taking account of the specialised nature of the work involved, he finds the designation to be too broad (and lacking in any evidence of consideration) to be of any value in identifying which information should properly be considered to fall within the exemption.
- 32. The Council also referred to the case of *Veolia ES Nottinghamshire Ltd and Nottinghamshire County Council* [2010] EWCA Civ 1214. This decision, the Council submitted, was authority for withholding the information in the tender, focusing in particular on its consideration of article 1 of the first protocol to the ECHR (the right to the peaceful enjoyment of possessions).



- 33. In that decision, the Court of Appeal balanced the need for transparency within public procurement with the need to protect companies' commercial rights, in order that they are able to compete fairly. The decision relates to the redaction of information relating to commercially sensitive issues, and it is that information (rather than information of any other character) which the Court found to engage the Convention rights discussed in the decision. It should also be noted that the decision related to the construction of a piece of legislation other than FOISA.
- 34. The Commissioner also notes the reasoning in a recent decision by the First-Tier Tribunal (Information Rights) *Channel Four Television Corporation and the Information Commissioner* [EA/2010/0134]<sup>2</sup>, which states (at paragraph 13 the references to "the 2000 Act" are to the Freedom of Information Act 2000):
  - "...The Court of Appeal upheld Veolia's contentions that commercially confidential information fell within the concept of 'possessions' for the purposes of Article 15 of the first protocol to the ECHR and that the relevant section of the Audit Commission Act therefore had to be 'read down' so as to be subject to Veolia's rights under Article 1. It seems to us that the crucial point in the Veolia case was that the Audit Commission Act contained no equivalent to section 43(2); but in the 2000 Act that section (read in the context of the whole carefully constructed framework of the Act) provides the very protection required by Article 1. There are several references by the Court of Appeal in the Veolia case to the 2000 Act which implicitly accept that its provisions are consistent with Article 1 and any common law right of confidence. We think it is also very significant to note that in the Veolia case the claimant only sought to prevent disclosure of certain parts of a long commercial contract and that the Court of Appeal cited with approval passages from a decision notice of the Information Commissioner arising out of an earlier request for the same contract under the 2000 Act in which the Commissioner had produced a detailed schedule showing parts of the contract which could be redacted and parts which had to be disclosed which took a similar form to the Annex to his decision notice issued by the Commissioner in this case."
- 35. The Commissioner agrees with the reasoning of the Tribunal, and would endorse its view with respect to FOISA, that is that section 33 of FOISA "read in the context of the whole carefully constructed framework" of that Act "provides the very protection required by Article 1."
- 36. To conclude, the Commissioner is not satisfied that all of the information in the successful tender is exempt under section 33(1)(b) of FOISA in other words, that its disclosure would (or would be likely to) prejudice substantially the commercial interests of Stage Electrics. He is not satisfied that disclosure of certain of the information (as specified in the attached Schedule) would have had, or would have been likely to have, that effect at the time the Council dealt with Northern Light's information request or its request for review. He therefore finds that the exemption in section 33(1)(b) was incorrectly applied to this information. As a result, he is not required to go on to consider the public interest test for the information, as detailed in the Schedule, which he must require to be disclosed.



37. The Commissioner accepts, however, that release of certain of the information at the time the Council dealt with Northern Light's request for information, and its request for a review, would have prejudiced substantially, or would have been likely to prejudice substantially, the commercial interests of the successful bidder. This information is also detailed in the attached Schedule. The Commissioner will now go on to consider the public interest test in relation to this information.

#### **Public interest test**

- 38. As the Commissioner is satisfied that some of the information under investigation has been correctly withheld under the exemption in section 33(1)(b) of FOISA, he is required to go on (in relation to that information) to consider the application of the public interest test in section 2(1)(b) of FOISA. He must, therefore, consider whether, in all the circumstances of the case, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption.
- 39. When applying the public interest test, the Council submitted that it had taken into consideration the necessity of obtaining best value and also Northern Light's point about the importance of transparency in the procurement process. In response to the latter point, the Council noted it was satisfied that all appropriate regulations and procedures had been properly followed. The Council referred to the report to its Learning and Leisure Services Committee of 8 July 2010, which it believed to have addressed public interest considerations adequately: given the specialist technical nature of the contract, it considered any more specific public interest considerations to be outweighed by those of commercial confidentiality.
- 40. Additionally, the Council commented that Northern Light had not asked for feedback on its tender, or for an explanation of the evaluation scoring process both of which were available. In this respect, the Commissioner takes the Council to be arguing that such options (e.g. feedback, explanation) would, at least to some extent, have met Northern Light's purposes without the necessity for disclosure under FOISA.
- 41. The Commissioner accepts that there is a public interest in ensuring that companies are able to compete fairly and in ensuring that there is fair competition for tenders of this nature. He also accepts that where a public authority is engaging in competitive tendering, it is in the public interest that it is able to do so without its status as a public body impacting significantly on its ability to purchase effectively in a competitive market in particular by securing best value through the widest possible response from suitable persons.
- 42. The Commissioner also accepts the general public interest in transparency and accountability and the more specific one in ensuring that a contract is awarded to a company with the ability to fulfil the contract, particularly where this involves spending from the public purse.



- 43. While the Commissioner recognises that the report referred to by the Council provides information about the tender process, including the bids and evaluative scoring, it is important to note that it provides considerably less detail than is to be found in the withheld information that is being considered here. In the circumstances, the Commissioner is satisfied that disclosure of the withheld information would enhance scrutiny of, and therefore transparency and accountability in relation to, the procurement process. He would also note that while Northern Light may have chosen not to seek feedback or an explanation of the scoring process, they remained as entitled as any other person to seek the requested information under FOISA.
- 44. The Commissioner has considered all of the factors set out above. While there will be circumstances in which the public interest requires the disclosure of information even where he accepts that substantial prejudice to a person's commercial interests would (or would be likely to) result from the disclosure, he does not, on balance, believe this to be the case here. After weighing up the competing interests in this case, the Commissioner has concluded that, in all the circumstances, the public interest in disclosing the information he has found to be exempt under section 33(1)(b) of FOISA is outweighed by the public interest in maintaining that exemption. He is therefore satisfied that this information was correctly withheld by the Council under section 33(1)(b).

#### **DECISION**

The Commissioner finds that North Lanarkshire Council (the Council) partially complied with Part 1 of the Freedom of Information (Scotland) Act 2002 (FOISA) in responding to the information request made by Northern Light Stage and Technical Services Ltd (Northern Light).

The Commissioner finds that by withholding certain information from the tender under section 33(1)(b) of FOISA, the Council complied with Part 1.

However, the Council failed to comply with Part 1 (and in particular section 1(1)) by withholding the remaining information from the tender under section 33(1)(b) of FOISA.

The Commissioner therefore requires the Council to provide Northern Light with certain of the withheld information, as specified in the attached Schedule, by 25 November 2011.



### **Appeal**

Should either Northern Light Stage and Technical Services Ltd or North Lanarkshire Council wish to appeal against this decision, there is an appeal to the Court of Session on a point of law only. Any such appeal must be made within 42 days after the date of intimation of this decision notice.

**Kevin Dunion Scottish Information Commissioner 11 October 2011** 



### **Appendix**

### Relevant statutory provisions

#### Freedom of Information (Scotland) Act 2002

#### 1 General entitlement

- (1) A person who requests information from a Scottish public authority which holds it is entitled to be given it by the authority.
- (6) This section is subject to sections 2, 9, 12 and 14.

#### 2 Effect of exemptions

(1) To information which is exempt information by virtue of any provision of Part 2, section 1 applies only to the extent that –

...

(b) in all the circumstances of the case, the public interest in disclosing the information is not outweighed by that in maintaining the exemption.

. .

#### 33 Commercial interests and the economy

(1) Information is exempt information if-

. . .

(b) its disclosure under this Act would, or would be likely to, prejudice substantially the commercial interests of any person (including, without prejudice to that generality, a Scottish public authority).



### The Public Contracts (Scotland) Regulations 2006

### 43 Confidentiality of information

- (1) Subject to the provisions of these Regulations, a contracting authority shall not disclose information forwarded to it by an economic operator which the economic operator has reasonably designated as confidential.
- (2) In this regulation, confidential information includes technical or trade secrets and the confidential aspects of tenders.



### Schedule

Document				
CD Folder	CD Sub- folder	CD Subsub sub folder	Description of item (where applicable)	OSIC Decision Release (R), Withhold (W),
1	-	-	Cover	R
2	-	-	Cover letter	R
3	-	-	Index	R
4	-	-	Exec Summary	R
5	1	-	ITT (completed)	R
6	-	-	Bill of Quantities	W
7	-	-	Compliance Matrix	R
8	1	-	QQ: design aspects of Contract	R
8	2	-	QQ Deliverability of Project Management for the Contract	R
8	3	-	QQ On-Site Workforce	R
8	4	-	QQ Warranty, Service and Aftercare	R
8	5	-	QQ Health and Safety management of the contract	R
8	5	H&S docs	9	R
8	6		System design (overview)	R
8	6	1	Project Plan – Gannt chart	W
8	6	2	GA drawings	W
8	6	3	A0	W
			A4	R
			A4	R
8	6	4	A3 (6 entries)	W
8	6	5	A0	W
			A4 (4 entries)	R
8	6	6	A4 (3 entries)	R
8	6	7	AO	W
			A4 (3 entries)	R
8	6	8	A4 (4 entries)	R
8	6	9 (Schedul es)	A4 Cable types	R
			Remaining entries	W
9	A4-FC		Certificates and accreditations	R