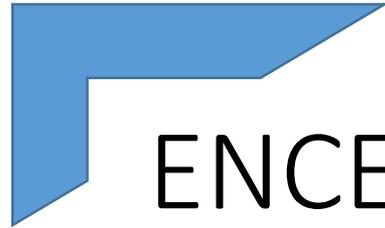
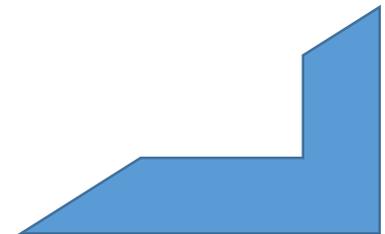


# Contracts, Specifications and Quantity Surveying



ENCE421:

## Tendering Procedures



# Today's Presentation Outline

- Revisit previous lecture
- Negotiation



- Competition



- Bidding process and responsibilities

# Revisit previous lecture

✓ Payment Methods

# Negotiation

Involves clients and contractors representatives sitting down and negotiating a price without benefit of competition from other contractors. Contractor must initially be selected on some basis.

# How to negotiate?

- Use rates and prices given for similar work carried out under similar conditions.
- Take an agreed assessment of estimated cost and add a percentage for overheads and profit.

## ➤ Advantages

- Full details of what is included - open book policy
- Contractor brought in early therefore able to influence the design for the better and shorten tender period

## ➤ Disadvantages

- - Lack of competition therefore higher costs
- - As much as 5% more than competitive tendering

# Competition

Selection methods for competitive tendering

1) Open competition

2) Approved lists -enables clients to choose tenderers. Updated regularly to

- Exclude companies whose performance unsatisfactory
- Introduce suitable new companies
- List appropriate for project
- Firms included with financial capacity

3) One off project lists –produced from

- early expression of interest
- clients/consultants lists

# Open Tendering- Competition

- Advertising – anyone can apply.
- Applying contractors prove their experience
- Factors other than price considered
- Used to form a selective list –expression of interest
- Advantages –appoint contractors who may not have considered before, view a wider range of contractors experience
- Disadvantages –time consuming, wasteful on resources.

# Selective Tendering- Competition

- Select list compiled from either 'master' list or interview
- Usually 5/6 contractors
- Documents sent out for pricing
- Advantages –contractors already known, aware of contractors teams/employees, know their financial situation
- Disadvantages –contractors can become complacent ,never include new ideas, staff or technologies.

# Bidding Process

Involves three main steps:

- Owner announcement for the bid
- Contractors' preparation & submission of their bids
- Owner analysis & evaluation of all bids and selection of a prospective contractor

# Announcement

The announcement includes the following information:

- Subject, scope of work, location, type of project, price of bid package;
- Dates of: purchase of bid package, bid submission, bid opening, etc;
- Required prequalification documents;
- **Bid bond:** (0-10% of tender price) : required from all bidders to insure that each bidder is serious and will maintain bid offer when selected
- **Performance bond:** (5-100% of the contract price): required from the selected contractor after award of the contract to insure that he faithfully performs his obligations under the contract
- Conditions for acceptance/rejection

# Contractor's Responsibilities

- Receive/buy bid package from the owner. It contains all contract documents including drawings, specifications, bills of quantities, general conditions of the contract, soil report, bid proposal form, addenda (changes to the bid package), etc.
- Inspect the site and its accessibility, weather, services, bylaws, and resources
- Prepare detailed planning, estimating, scheduling, and cash flow calculations for the project
- Prepare bid bond
- Complete all forms including bid proposal form
- Prepare data regarding contractor's organization structure for the company & the project (if needed)
- Submit the bid

# Owner's Responsibilities

- Inform all bidders of any changes in dates or regulations
- Answer any questions from contractors
- The owner or his representative first analyzes and evaluates all bids
- Options for selecting the winner include the following criteria:
  - Lowest responsible bidder
  - Average bidder
  - Bidder close but below average
  - Weighted multicriteria
  - Any other agreed-upon criteria

# Summary

- ✓ Negotiation
- ✓ Competition
- ✓ Bidding process and responsibilities

Any Questions??