

3. PRE-CONSTRUCTION PHASE

3.1. Organisation of the tender for engineer (consulting engineering company)

3.1.1. Running the tender for engineer (consulting engineering company) by the client

What is Pre-qualification

Pre-qualification of designers, consultants and contractors is the selection, by the Employer, of a limited number, of competent companies or individuals prior to the issue of invitations to tender for works or services required by the Employer.

The number selected is at the discretion of the Employer and may be as few as 2 or 3, but not normally more than 10. A common number of firms invited to tender is 6.

The prequalification of a company or individual to tender is a process distinct from the tender evaluation procedure, and concentrates on the suitability of the company or individual to tender for the specific project of the Employer.

Benefits of Prequalification

The prequalification process provides advantages to both the Employer and the prospective Tenderer. For the Employer the prequalification of Tenderers provides the following benefits:

- Identification of only suitably qualified companies for the project.
- An assessment of the interest generated by the project amongst suitable companies and the opportunity to amend the procurement conditions if insufficient companies register their interest.
- Reducing the number of Tenderers, so that there is a corresponding reduction in the amount of work involved in evaluating a large number of tenders and hence also speeding up the process of evaluating tenders.
- The removal of unqualified companies from the tender process, so reducing the difficulties that arise from incompetent low tender prices.
- It encourages companies to determine their real strengths and weaknesses with respect to the specific project and, where appropriate, form joint ventures or arrangements with other companies, to provide a high quality standard of capability to the Employer.

For the Tenderers, there are also benefits, which include the following:

- It concentrates the attention of companies on the real demands of the project prior to tendering and, where appropriate, encourages them to strengthen their resources by associating with other companies to give the Employer their best proposal.
- It provides competent companies with the knowledge that the tender for the project will be judged between companies of equal capability. This helps to avoid the unsuitable company, with insufficient capability, submitting unrealistically low tender prices.
- It encourages competent companies to compete for the project, as they can justify the high cost of tendering within a relatively small group of competitors.

In particular, it enables both the Employer and Tenderer to look closely at the financial capability of companies seeking pre-qualification.

Prequalification Process

The Employer or his Consultant should prepare the prequalification documents for the project with care and professionalism, so as to attract competent companies.

The prequalification notice will be well advertised and if the project is funded by International Aid Agencies, it will be registered in their world-wide procurement notices.

Applicants will be advised how to obtain the prequalification documents and also the date, time and place for the applications to be submitted. The period allowed for companies to prequalify will vary, but is normally in the order of 4 to 6 weeks.

The prequalification documentation will normally have five main parts, which are as follows:

- Invitation to Prequalify,
- Details of Projects,
- Instruction to Applicants,
- Prequalification Data Required,
- Letter of Application,
- Application Forms.

On receipt of the applications from companies the Employer, with advice as appropriate from a Consultant, will analyse the information provided by each applicant and prepare a report

with a short list of suitable companies to be prequalified for the project. This will be approved according to the Employer's regulations.

The Employer will then notify all the applicants as to whether they have been prequalified or not, but does not have to give reasons for his decisions. Invitations to tender should follow as soon as possible after the prequalification of Tenderers. The tender documents should be issued to prequalified companies only.

Prequalification Information Sought by Employers

The Employer will determine the type of information required to assess the suitability of the potential Tenderers, but the main topics are generally as follows:

– **Company Experience** - The applicant's general capabilities and experience will be requested, together with statistics of their trading records over the previous 5 to 10 years. Applicants will normally be required to provide evidence of their particular experience of undertaking work similar to that of the Employer's specific project. Examples of work of a similar nature will be required, providing nature, size, value and complexity of previous projects successfully completed.

– **Financial Data** - One of the key factors affecting the Employer's decision to prequalify a company will be the financial strength of the company. Accordingly, the audited accounts for the company are normally required to be provided, together with more current financial information concerning the trading position of the company since the last audit was conducted. The applicants should provide details of their bank and may be required to provide evidence of their financial probity, together with their capability to provide suitable bonding or guarantees. An important judgement for the Employer is the capability of the applicants to undertake the "*cash flow*" requirements for the project. The size and financial demands of the project will be assessed against the size and resource of the applicants. Should the company, despite its suitable technical experience, not have the financial capabilities for the size of the project, then it most probably will not be prequalified.

– **Personnel Capabilities** - Consultants and Contractors are very much organisations where personnel are the most important resource within the organisation. What is of particular relevance to the Employer is the specific personnel available for the project with the relevant qualification and experience and secondly the depth of personnel resource within the company should the nominated personnel no longer be available for the project. Employers

may request the Curricula Vitae of the key personnel to be provided with the prequalification application, and this may be the factor that determines the success or not of the applicant.

– **Equipment and Plant Capability** - Depending upon the project and the work required, the applicants may be required to provide details of the plant and equipment they own that is relevant to the project. This has become less of a factor in some countries, as many companies will hire appropriate equipment and plant as required by a specific project. In this case the Employer needs to be satisfied suitable equipment is available for hire to enable the applicant to carry on the work, should they be selected as Tenderers.

– **Litigation History** - Employers may be interested to know the history of the applicant in terms of any litigation or arbitration proceedings during the last few years. Applicants may be required to schedule all such cases, with the reasons for the dispute/s and the outcome.

The criteria for rejection of an applicant may be one of frequent arbitral awards or court decisions against the applicant. The Employer should give careful consideration to the reasons given by the applicant for the disputes, so that a fair interpretation may be achieved. In some cases where the applicant was fully justified to go to arbitration, it may be considered a sign of the competence of the applicant. On the other hand if the applicant has had a series of unsuccessful arbitration claims, the Employer may be unwilling to accept them as a Tenderer to avoid the possibility of future unmerited litigation.