

3.2. Organisation of the tender for contractor (construction company) (if the DESIGN-BUILT contract was NOT chosen)

3.2.1. Choosing the tender method for contractor

TRADITIONAL METHOD OF PROCUREMENT FOR CONSTRUCTION

Public Sector Clients are required to undertake the procurement of construction work by competitive procedures. These procedures may vary in detail from one Client to another but the principles are common.

Generally for construction works up to a certain value, (often this is approximately 5 million US Dollars), the Clients will not attempt to reduce the number of Tenderers by the pre-qualification process. They consider the risks involved for work within that price range to be relatively modest and do not necessitate the cost of the pre-qualification process.

In such cases tenders are considered to be open.

Where the value of the works is estimated to be larger, i.e. in excess of 5 million US Dollars, the Client may undertake a pre-qualification process, as the risks of having a less than competent Contractor on such important work is too potentially expensive. They may also consider the assessment of a large number of tenders for a project too time consuming and costly. It is not mandatory for *Public Sector* Clients to use a pre-qualification process for large projects, but it is increasingly utilised by them.

The concept of tendering is to provide equal opportunity for all the Tenderers to determine the prices for which they will undertake the works. In order for them to do this effectively the Client must provide:

- The Letter of Invitation to Tender
- The Contract Conditions
- The Specification for the Works
- The Bill of Quantities
- The Tender Drawings
- Additional Relevant Technical Information, etc.

Tenderers may be provided with this information at no charge, but increasingly Clients will levy a charge for the tender documentation. This serves the purpose of recovering some of the costs of the production of the material as well as discouraging non-serious tenders.

For *Private Sector* Clients, there is no legal requirement for them to undertake a tender for the construction of their works, but normally unless there are very good reasons, *Private Sector* Clients will also organise a tender. It is more likely with *Private Sector* Clients that a pre-qualification process will be adopted and only a “short list” of contractors will be invited to tender.

As with the design sector, there are no universally used Contract Conditions but those produced by FIDIC are used extensively for international projects.

The documents available are:

- Conditions of Contract for Works of Civil Engineering Construction, (the “Red Book”).
- Conditions of Contract for Electrical and Mechanical Works (the “Yellow Book”).
- Conditions of Contract for Design-Build and Turnkey Projects (the “Silver Book”).

These documents are available in various languages, including English, French, German, Spanish, Russian and Japanese.

FIDIC introduced, in late 1999, a new series of Contract Condition Documents, but these have yet to be adopted by Clients, although they can be expected to replace the older versions in time.

The Client will normally give contractors 2–4 weeks to prepare and submit their tenders for projects of value up to 10 million US dollars, if they are not too complex technically, but they can give up to 8 weeks for the larger and more complex projects.

Under the traditional method of procurement, Tenderers are to submit their bids by a certain date and time called a “Deadline”, and any tenders submitted after that time are rejected and returned unopened to the Tenderer.