

Types of tendering methods construction essay



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INTRODUCTION

Taipan Eagle Sdn Bhd is a leading new world development company limited based in Hong Kong. The company was founded in 1970. The group has business experience of more than 4 decades (40 year) in different fields such as property, infrastructure, services and departmental stores. The company recently decides to build a housing estate of about 92 units of semi-detached house in Plentong, Johor Bahru. The company also wants a very modern design that has a futuristic touch to it and boasts of the latest technology. The project is expected to start construction in December 2012 and be completed in 2014 therefore it requires a suitable contractor.

Literature Review

1. TenderingTendering is the process by which bids are invited from interested contractors to carry out specific packages of construction work. It should adopt and observe the key values of fairness, clarity, simplicity and accountability, as well as reinforce the idea that the apportionment of risk to the party best placed to assess and manage it is fundamental to the success of a project. When organisations or individuals wish to have a new facility, or

carry out refurbishment or maintenance of an existing facility, they will be involved in some form of procurement. There are a variety of different methods for procuring this new facility, not all of which involve construction as a solution. A complete new building may be purchased, for example, or existing space may be leased. It is assumed, therefore, that later parts of this article will only apply once the decision has been taken - and recorded - to proceed with the construction option. The two most commonly used methods of tendering are single-stage selective tendering or two-stage selective tendering. Both involve the invitation of tenders from firms on a pre-approved or ad hoc list, chosen because they meet certain minimum standards in general criteria such as financial standing, experience, capability and competence. The competition element of the tender is provided on the basis of price and quality. The main difference between the two is that in the two-stage process, the contractor becomes involved in the planning of the project at an earlier stage, so the tenders are submitted on the basis of minimal information, and in the second stage the employer's team will develop the precise specification in conjunction with the preferred tenderer. This method is favoured in more complex projects, where the contractor may have significant design input.

Task 1

Types of tendering Methods There are three main typical of the tendering method: Open or Public Tendering. Selective Tendering. Negotiated Tendering. Open tendering is the preferred competitive public procurement method used for acquiring goods, services and infrastructure works. It is executed in accordance with established procedures set out in the

procurement guidelines and detailed in the standard bidding documents.

Open tendering is also known as open competitive bidding, open competition or open solicitation, and the procurement notices used to call for bids for

these requirements are identified as: Invitation for Bids or Invitation to

Tender. Selective tender: Selective tendering consists of drawing up a list of

chosen firms and asking them to tender. It is by far the most common

arrangement because it allows price to be the deciding criterion; all other

selection factors will have been dealt with at the pre-qualification stage.

There are three ways in which selective tendering lists are drawn up: •An

advertisement may produce several interested contractors and suitable

Firms are selected to tender. •The consultants may contact those they would

wish to put on an ad-hoc list. •Many local authorities and national bodies

keep approved lists of contractors in certain categories, such as work type

and cost range. Contractors who ask to be included on select lists of tenderer

are usually asked to provide information about their financial and technical

performance, particularly about the type of work under consideration. The

National Joint Consultative Committee for Building (NJCC) has written the

'Standard form of tendering questionnaire - private edition' so contractors

can prepare answers to relevant questions in advance. The questions mainly

deal with projects carried out during the previous three years. Once the form

has been completed, it can be used for specific projects or for those

compiling lists of selected contractors. 1b. The most suitable type of

tendering for the project is selective tendering According to the above

explanation which talk about the construction project, project management,

who are the parties involved in a construction project team and tendering

method, I would like to choose a Negotiated Tendering Methods to be used in

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a New World Development Company Limited. Perhaps, Taipan Eagle Sdn Bhd is a subsidiary of New World Development Company Limited and Luen Yum Development (M) Sdn. Bnd. New World Development Company Limited is a leading conglomerate based in Hong Kong. The Group was founded in 1970 and publicly listed in Hong Kong in 1972. It is a constituent stock of the Hong Kong Hang Seng Index with a total asset value of HK\$286. 3 billion as at 30 June 2012. For more than four decades, the Group has expanded its business portfolio from a single focus on the property business to four core areas, including property, infrastructure, services and department store in Hong Kong, Mainland China and Macau. The Group is also involved in direct investment and an array of other businesses. Recently, the Group proposes to build 92 units of Semi-detached Houses located in Plentong, Johor Bahru. The Group is concerned about other aspects, Futuristic touch to the development. Boasts top-notch features, fittings and design layouts that breathe the best of millennium developments (for example lighting, ventilation, fire protection, etc.) Security (CCTV equipment surrounding the development, trained security personnel, armed guards and canine patrol). The proposed houses began in December 2012 and are expected to be completed in 2014. The newly developed houses is an exclusive enclave of 3-storey semi-detached houses within a gated and guarded environment. It consists of 5+1 and 7-bedroom homes. The development also features a large clubhouse that comprises a swimming pool, gymnasium, playground and function hall - for a wholesome living experience. Reason Because in selective tendering a list of qualified contractors is already chosen and so your selection will be limited to a few number of qualified contractors from which you will choose the cheapest contractors that conforms to the vales <https://assignbuster.com/types-of-tendering-methods-construction-essay/>

and standard of the project. Negotiated Tender: under this method normally one contractor is approached and such tender mainly used for specialist work such as lift system or airport project at big level, in such case there are limited number of contractor who do such work in the market . it is based on one-to-one discussion with contractors to negotiated the terms of contract

Explain about Tender

Under open tendering the employer advertises his proposed project, and permits as many contractors as are interested to apply for tender documents. Sometimes he calls for a deposit from applicants, the deposit being returned ' on receipt of a bona fide tender'. However, this method can be said to be wasteful of contractors' resources since many may spend time preparing tenders to no effect. Also, knowing their chances of gaining the contract are small, contractors may not study the contract in detail to work out their minimum price, but simply quote a price that will be certain to bring them a profit if they win the contract. Thus the employer may be offered only ' a lottery of prices' and not necessarily the lowest price for which his project could be constructed. If he chooses the lowest tender he runs the risk the tenderer has not studied the contract sufficiently to appraise the risks involved; or the tenderer might not have the technical or financial resources to undertake the work successfully. It is true that the employer can check the resources and experience of the lowest bidder and reject his tender if the enquiry proves unsatisfactory; but several bids may be below the estimated cost of the job and, if such tenderers appear satisfactory and their bids are not far apart in value, it is difficult for the employer to choose other than the lowest. The engineer advising the employer may think there is a risk that all

such low bids could prove unsatisfactory, but he cannot advise the employer what other bid to accept because he has no certainty of information.

Under selective tendering the employer advertises his project and invites contractors to apply to be placed on a selected list of contractors who will be invited to bid for the project. Contractors applying are given a list of information they should supply about themselves in order to 'pre-qualify'.

The advantage to the employer is that he can select only those contractors, who have adequate experience, are financially sound, and have the resources and skills to do the work. Also, since only half a dozen or so contractors are selected, each contractor knows he has a reasonable chance of gaining the contract and therefore has an incentive to study the tender documents thoroughly and put forward his keenest price. However, since contractors have all pre-qualified it is difficult to reject the lowest bid, even if it appears dubiously low - unless that is due to some obvious mistake. A problem with both open and selective tendering is that a contractor's circumstances can change after he has submitted his tender. He can make losses on other contracts which affect his financial stability; or may be so successful at tendering that he does not have enough skilled staff or men to deal with all the work he wins. Neither method of tendering nor any other means of procuring works can therefore guarantee avoidance of troubles.

Negotiated tenders are obtained by the employer inviting a contractor of his choice to submit prices for a project. Usually this is for specialized work or when particular equipment is needed as an extension of existing works, or for further work following a previous contract. Sometimes it can be used when there is a very tight deadline, or emergency works are necessary. A negotiated tender has a good chance of being satisfactory because, more

often than not, it is based on previous satisfactory working together by the employer and the contractor. When invited to tender the contractor submits his prices, and if there are any queries these are discussed and usually settled without difficulty. Thus mistakes in pricing can be reduced, so that both the engineer advising the employer and the contractor are confident that the job should be completed to budget if no unforeseen troubles arise. However, negotiated tenders for public works are rare because the standing rules of public authorities do not normally permit them. But a private employer or company not subject to restraints such as those mentioned in the next section can always negotiate a contract, and many do so, particularly for small jobs. Even when a negotiated tender is adopted it is usual to prepare full contract documents so that the contract is on a sound basis. Production of the documents also means they are available for open or selective tendering should a negotiated tender fail, or should the chosen contractor be unable to undertake the work. http://wiki.answers.com/Q/Types_of_tender_and_processing_tender<http://www.thenbs.com/topics/ContractsLaw/articles/tenderingForConstructionProjects.asp><http://www.scribd.com/doc/46429270/kvs-civil><http://www.procurementclassroom.com/open-tendering/><http://lecture.civilengineeringx.com/project-managment/methods-used-for-obtaining-tenders/>