

Single stage selective tendering



The method of single stage selective tendering involves finding contractors, possibly from previous experience, and asking them to submit tenders for the project at hand.

Because you choose your contractors yourself you can properly dig to find the best one. Past experience is always a help in making your decision, not only this but you can take into account the resources of the company you're using, their health and safety record and their references. Not only this but when choosing a contractor it is also sensible to take into consideration the type of work your doing, some companies will specialise in different areas. There are a few benefits to using single stage selective tendering, firstly you can choose your own contractor and remove bad performing contractors, secondly companies are competitive over it and lastly you can rotate your contractors ensuring you always have a fresh pair of hands.

Two Stage Selection

Sometimes, potential contractors may be invited to initial discussions about the project to provide input. This is usually only when a project has a short time scale or the client doesn't have much time to work with. After this initial discussion the client can invite his favourite contractors back for a second, which again is a good way to gather more ideas and different inputs on the project. After the second interview the client should definitely know who he wants on board and it the discussions should make it easier to select his contractor. This is a good way of selecting a contractor as you can gather a wide range of input from the first two discussions; it also allows the client to meet all potential candidates allowing him to make a sensible decision. In

the second meeting it is likely the contractors will bring bills of quantities to submit as part of the final tender.

Open Tendering

Open tendering almost explains itself. A client will put some form of advertisement out for a contractor and all contractors are welcome to reply. The client can then make this decision based on portfolios, references or CV's of potential contractors. Open tenders usually occur when a service such a road cleaning is needed. The major disadvantage in open tendering is that many contractors who you have know nothing about, considering their costs and reputation too, can apply, meaning you could end up making a bad decision due to minimal knowledge. References are important in open tendering.

Serial Tendering

Serial tendering has a number of benefits to it. This is because when you choose a contractor for serial tendering he will be involved on a number of projects. The contractor provides a price for the first project and then uses this to estimate prices for the following tasks. This method of tendering is usually used when there are a number of similar projects taking place, for example a series of schools being built. The advantages to serials tendering are that firstly, the contractor gains valuable knowledge from initial projects to be used in the other projects and secondly the client is guaranteed a long term commitment from the contractor.

OBJECTIVES IN TENDERING

There are a number of different objectives you will set for yourself in the tendering stage of a project. These objects can have an affect on the tender costs, and if they are not met, it means your overall price will rise.

Profit Margin

The profit margin of a project is basically how much profit there is to be made, it is a figure taking into consideration all of the costs, once all these costs deductions are done we are left with a rough figure or how much money is to be made.

Cost

Costs are always a key thing to keep in mind; it will definitely be an objective for the contractors and client to ensure that they keep within their cost restraints. The lower the overall costs of your project, the lower the asking price will be. Some contractors will loose money from their own pocket if they do not keep to their initial set costs.

Time

It is important to ensure you keep within your timescale on a project, lengthy projects will cost more money than short ones and going over your time scale will have a roll on effect on the overall price.

FACTORS AFFECTING THE LEVEL OF TENDERS

Main Contractors

The main influence in the levels of tenders is the value of a project. Small projects tend to have large lump sum overheads resulting in small profit

margins whereas larger projects rely on massive financial commitments.

There are numerous other factors that affect the levels of tendering:

- The number and reputation of other companies trying to secure a tender.
- The economic climate of a country.
- Bank of England Base rate – higher base rate = higher loan repayment
- Specialism

Location

The location of a project can have a massive effect on the tender price. For Example, if a client chose a contractor based in the UK to carry out works in northern Scotland the tender price will be significantly higher. Not only will prices rise due to the fact that the contractor will have to get himself and his men and machinery to northern Scotland and back but sometimes, on long-term projects, the contractor will have to pay for temporary accommodation, including food and drink. Temporary accommodation will cost a lot and can have a great affect on the contractors' tender price. Not only this but also, if the project is based somewhere like London, where living costs are substantially larger than the rest of the UK, this can have an effect on the tender price.

Site Access

The accessibility of a site can also have a significant affect on the tender price. If the site is in the middle of a busy city centre, this will make it hard for large plant to access; city centres also bring a lot of traffic which results in delays. If your site is small with not many access routes or roads it can deem difficult for larger plant to get in, some projects require new access

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points and routes to be made for larger plant to do their jobs. This obviously costs money, which results on a larger tender price.

Site Conditions

If the chosen site is unlevelled or bad it means that before works can even proceed, the site will have to be sorted out. This can cost a lot of time and money depending on the state of the site. Some sites are contaminated which will result in a massive operation to decontaminate the site and a massive increase in tender pricing.

Sub Contractors

Subcontractors are usually appointed in one of two ways. The first way is as a domestic subcontractor to the main contractor and the second is a nominated subcontractor by the client. When there is specialist work that needs to be done that a contractor cannot, he will send for a subcontractor who can do the work. Some subcontractors get recommend by the client. There are once again, factors that influence the prices:

1. The location of the work
2. The schedule of the subcontractor
3. How specialist the work is
4. The client/contractor relationship with the sub contractor.
5. M4

Single Stage Selective

Single stage tendering requires the potential contractors to attend one interview with the client before one is chosen. This method is usually used when the client is looking for a partnership agreement with a guaranteed

price and profit share. Single rate is also good for projects that need specialist attention. It is a good method for the projects such as hospitals where the client can guarantee a max price.

Two Stage Selection

This kind of tendering is often used for the design and build aspect of a project as it is good for gathering a wide range of ideas from a number of potential contractors. A sensible contractor will bring ideas to save money to the client and whoever usually manages to save the most money will be hired. This is a good method for specialised needs as the information you gather from the contractors can inform you on whether or not they themselves can carry out the work, which will be cheaper, or whether they have good links with sub contractors that specialise in that area. Two stage selection is good for any building that needs specialist care and also for school and colleges as the client gets significant input from all the potential contractors in the first two stages.

Serial Tendering

Serial tendering is used when there are a number of similar projects being undertaken. It is good because the contractor can use his knowledge from pricing the first building to then price the following projects too. Not all the projects have the same layout but are similar in material and plant need. This enables the contractor to get a quicker idea of price ranges for the other projects as he already knows what he is expecting. Serial tendering is used when a series of schools are being built, it can also work for a series of police stations or hospitals. Serial tendering is also good for housing projects, shop chains and restaurant chains.

Open Tendering

Open tendering is the most traditional tendering method. It is when anyone is open to submit a tender and the client will go through the applicants and choose, who he believes, to be the most suitable candidate. Open tendering can work for any kind of building and also is used for general services like road cleaning. It is good because you get a wide range of applicants to choose from. Even buildings that need specialist work done can be open tendered as the contractors themselves can appoint subcontractors for that kind of work.

There are a number of different factors that will have an effect on tender method to be chosen, the following factors can all have an effect on what kind of tender method you use;

- The location of the project, European construction works are usually dealt with differently to non-EU construction projects.
- Project size, massive multi-million projects sometimes need the combined help of a number of contractors, e. g. Channel Tunnel.
- Financial stability of construction company tendering for the work.
- Company reputation
- Company resources, including plant, labour and materials.
- Company competency, including health and safety aspects.

The size of projects does have a big effect on the contractor you can use. For many small projects, worth around £10, 000 or less, the majority of clients would find a local contractor to do the job, however for the larger scale projects contractors can be brought in from all corners of the country.

Not only size but also the type of work being carried out affects this too, as mentioned before, sometimes a number of contractors will have to join together, in what we call a consortium, in order to meet the high demand of resources needed.

And lastly, the massive, high-value projects must be kept an eye on. To ensure they have the capacity to take on such a large financial debt and the associated cash flow requirements, the financial accounts of a prospective tender must be checked over a number of years.