

Open Tendering Methods in Construction:

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.

Selective Tendering Methods in Construction:

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 Tendering Methods in Construction:

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 **negotiated tenders** 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.