

Alternatives to traditional tendering



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1.0 Introduction

In the construction industry within the UK companies are always looking to price upcoming projects but sometimes don't tender for good quality but for the cheapest option and quickest start. In this report I will discuss why we need to move away from lowest cost tendering and shortest time procurement strategy, but instead price for quality and work to Collaborate with others during the tender stage and procurement for the project. I will offer and explain an alternative approach to tendering, considering other factors that may affect going with the lowest cost, as well as obstacles that may affect using a different approach to tendering in the UK. Finally, I will comment on an article from The Building Engineer Journal, 2021 which has a compelling argument regarding lowest cost tendering.

2.0 Tendering and Procurement

2.1 Tendering within the UK and Statistics

Tendering has taken a large, delayed effect on the construction industry due a world-wide pandemic hitting in March 2020 and slowed down the release of large project tenders. According to 'Office for National Statistics', " Britain experienced a record 16.3% fall in 2020 to £99,651 million after the record high of £119,087 million in 2019 as the impact of Coronavirus (COVID-19) pandemic." (Eykelbosch, 2021). As small works were still being tendered but "new orders fell by 11.9% in 2020 to £55,631 million, reaching its lowest level recorded since 2013" (Eykelbosch, 2021) and projects with undetermined start date due to current situations which also massively effected construction business and project procurement.

2.2 Procurement and increase of costs

It wasn't just tendering that took the hit during this period, local suppliers forced to increase material costs to cover the lack of demand during recent years. Also, Increase lead time for certain materials making tendering difficult to determine and estimate cost. Unfortunately, lowest cost tendering has become a problem within the UK Construction Industry, where the client will pick the lowest cost tender no matter on what has been missed out or if quality of the tender is poor. Different types of tenders and procurement route can be followed to ensure best cost for both client and contractor.

2.3 Different Types and Descriptions

Different routes and Strategy for tendering and procurement can ensure better estimates for projects, it is important to know when to use each. See the below descriptions:

- **Traditional Procurement** – as it states in the name, this is the most traditional route of procurement. The client will mostly take control of the design and making a tender package with all the information needed, making sure that it is enough information for tender. When it goes to tender would most likely have a few contractors competing for it.
- **Design and Build Procurement** – this form of procurement will put more of the risk on the awarded contractor after the tendering process instead of the client. The contractor will have the responsibility to design and construct the project for a lump sum price. This a risky route to go for a contractor as they take on responsibility for the whole project.
- **Management procurement** - this route is where the client responsibility for all the designs and the contract's role is to just tender for the work and manage without the duration of the project.
- **Open tender** – 'Opening tendering allows anyone to submit a tender ' (Tender processes for construction contracts, 2021)

- **Restricted tender** – this type of tender you will have to get an invitation to tender for the works required. Only selected contractors are chosen.
- **Negotiated tender** – this is a tender where typically only one contractor is asked to price which is normally for *‘highly specialist contracts, or for extending the scope of an existing contract’*. (Tender processes for construction contracts, 2021)
- **Competitive tender** – A Competitive tender is where multiple contractors tender for the works and the client will pick a tender on cost and quality. This could be done in stages and contractors may be asked to reduce their costs to be more competitive and be considered for the works.

3.0 Factors that affect tendering in the UK

The importance of taking into consideration some factors when tendering in the UK, could be the difference between winning a tender or not. Tendering is not the same for every project and will be different depending on what the market and current situations are around the UK at the time. Some of the main factors that would need to be considered when tendering is the *‘need for work, the number of competitors tendering’* (Ali A. Shash (1993)), and the risk possibly involved in completing the work. The factors that may affect the tendering would be the same in most areas of the world but small changes due to the UK market and demand.

3.1 Factors that affect procurement in the UK

There are many factors that would influence the procurement route and what method you take to ensure the projects success including quality of client’s information and response from enquires, overall budget for the job, specialist’s materials requested by the client that may have increase lend time or non-existed anymore. (See Appendix 1)

4.0 Lowest Cost Tendering

Lowest cost tendering is something we need to move away from in the UK and in general for the construction industry as it promotes bad practise. If it’s the cheapest option doesn’t mean it’s the best option for many reasons. Clients will see the tender cost and decide a winner due to cheapest cost not what is included in the tender or even having a meeting with them to discuss the cost. We need to move towards helping each other and collaborate, but still ‘lowest cost tendering still seems to dominate the landscape’ (Price, Rupert, 2022). for most contractors.

4.1 Grenfell tower Fire – Case Example

In recent years we have begin to realise and see the terrible side of lowest cost tendering has on the industry to the safety of others. A perfect example for this was the Grenfell Tower fire in London. On June 14th, 2017, a fire broke out in a multi-level apartment building in London. At first it seemed to be a small fire but ended up setting the building alight and taking the lives of ‘72 people’ (Somerville, Ewan, 2020) and this when raised the concern of building regulations and the construction industry. There were questions on how this could happen and ‘put procurement under the microscope’, (Ali, Binyamin, 2018). Adding pressure to the awarded contractor ‘Rydon’ that made this building back in 2012. When the investigation started there was many concerns of cost cutting and cutting corners. According to an article by Binyamin Ali *‘Public procurement: Has Grenfell changed anything?’* (Ali, Binyamin, 2018), the original works was sent out by Chelsea Borough Council and tendered by Leadbitter, they were the listed as the recommend contractor for these works and they quote a massive’ £11.3m. At £1.6m over the council’s budget, Leadbitter’s offer was rejected and the project was put out to tender again’ (Ali, Binyamin, 2018), and this is where the problem started. Another contractor called ‘Rydon’ undertook Leadbitter and went for the lowest cost to win the works.

Rydon quoted and won the contract for '£8.7 million, £2.6 million cheaper than the closest contractor. No concerns were raised about this. Chelsea Borough Council choose the lowest cost for the works and major corner were cut to make the project work. Following the completion of the tendering process and the work was won, Rydon continued to cut the cost of the works due by getting the cheapest materials to get the project completed. The building had many worrying problems with it and quality wasn't the main objective for this project. During a report published in October 2020, they found "'systemic failures" and "serious shortcomings" (Price, Rupert, 2022) for the whole project including using 'Cladding system had a heat combustion akin to diesel and close to lighter fluid' (Price, Rupert, 2022).

4.2 Moving away from Lowest cost tendering for a better future

This can the extent of lowest cost tendering. 'Scape group chief executive Mark Robinson', (Ali, Binyamin, 2018). had an interesting comment to make on this topic and stated 'Lowest-price tendering doesn't save you any money, believe it or not' (Ali, Binyamin, 2018). and that the tender cost can 'vary by millions', (Ali, Binyamin, 2018). no matter what the original tender cost is. SCAPE is a company that is working with the public sector to help 'improve the buildings that we use' (SCAPE, 2022). and move away from lowest cost tendering and start making buildings for quality not just profit.

5.0 Alternative Approach within UK Tendering

Alternative approach to tendering needs to happen, not just in the cost of the works but sharing and collaborating information to get better quality tenders. This needs to be both the client and the contractors tendering for the work. See **Appendix 2.0** for brief Criteria for a good tender. Obstacles that may stop this alternative approach of tendering in the UK, is primarily client will always want to pay less for works or get the cheapest cost as it saves them money if the risk is not attached to them. As shown in 4.1 about the Grenfell tower Fire, this could have given most clients and contractors a wake-up call needed to move away from lowest cost tendering with the UK.

6.0 The Building Engineer Journal article

In an article published in January 2021 called 'The perfect Storm' by James Cash, he asks the question when we fall out of favour within procurement practices and just do things selfishly, and will the industry transform, work towards collaboration or will get always be the same. He Sates the 'race to the bottom on price in order to win business' (Cash, James, 'The perfect storm, 2021)., which can be easily connected (**4.0**) to our earlier point of moving away from lowest cost tender. James also has made some interesting thoughts, and comparisons between the construction industry and old shipwreck mentality.

He references a period in the 1880's where it was custom to when they were shipwrecked at sea they would pick how would live and die by 'feeding on their shipmates' (Cash, James, 'The perfect storm, 2021). and for many years this was a custom and a given, ('case of R v Dudley and Stephens'), they considered this a 'necessity' (Cash, James, 'The perfect storm, 2021) and not murder. To relate to this to the current situation within the construction industry, companies tender and procure materials for the cheapest cost trying to undercut each other at every mark and our construction industry shows evidence like the case of R v Dudley and Stephens of a 'survivalist' (Cash, James, 'The perfect storm, 2021) nature.

Another point that James makes about the current situation in the construction industry is that racing down the cost to win the works is damaging to 'those further down the supply chain' (Cash, James, 'The perfect storm, 2021) and companies only thinking about cheapest option which and 'cost

cutting at every level' (Cash, James, *'The perfect storm, 2021*) just to make some money within the project. The move to an alternative approach to tendering and procurement is more important now more than ever to ensure the quality of the construction industry projects. This is an interesting read for the state on the construction industry and lowest cost projects in recent years. For further information see **8.0**.

7.0 Conclusion

To conclude this report, lowest cost tendering and undercutting cost to just to win project is not the way forward but to procure and price with quality, collaboration, working with the client to produce a high standard project. An alternative approach which would consider quality, good, sourced materials and no cutting corners in order to get the client a cheaper cost. Any other obstacles that may stop this from happening can be overcome to ensure the better future of tendering and procurement in the construction industry in the UK.

8.0 Recommendations

These are my recommendations for further reading that I found useful in making this report:

1. **Hughes, Deborah (2010).** *The Construction, Building and Real Estate Research Conference of the Royal Institution of Chartered Surveyors report 'Collaboration, What is it and can it be measured?'*
2. **Bolpagni, Marzia, (2013).** *The implementation of BIM within the public procurement report.* Taken from <https://cris.vtt.fi/en/publications/the-implementation-of-bim-within-the-public-procurement-a-model-b>
3. **Ali A. Shash (1993)** *Factors considered in tendering decisions by top UK contractors, Construction Management and Economics, 11:2, 111-118, DOI: 10.1080/014461993000000004. Published online 28th July 2006. (Factors that affect tendering in the UK) (Management, Procurement and Law Volume 175 Issue 1)*

9.0 References

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<https://www.pbctoday.co.uk/news/planning-construction-news/procurement-construction-unsustainable/54702/> . Accessed on 22th February 2022.

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tendering' taken from: <https://www.tandfonline.com/doi/abs/10.1080/014461993000000004>

(Price, Rupert,2022). Article called 'Lowest cost tendering – the industry should know better'. Taken

from: <https://ellisfox.co.uk/lowest-cost-tendering-the-industry-should-know-better/>

(Somervillie, Ewan, 2020). Article taken from 'Evening standard' called 'Grenfell Tower: How many people were killed in the blaze and what's happened with the inquiry?'. Taken from:

<https://www.standard.co.uk/news/uk/grenfell-tower-fire-victims-inquiry-a4467971.html>

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(SCAPE, 2022). SCAPE Website. Received from:

<https://www.scape.co.uk/about#:~:text=SCAPE%20is%20a%20public%2Dsector,sustainable%20legacy%20for%20your%20community>

(Cash, James, 'The perfect storm, 2021). An article from the building Engineer journal, reductive

media group,2021. Taken from: https://issuu.com/redactive/docs/cabe_be_jan21_full_cropped_lr

10.0 Appendices

Appendix 1

‘Agapiou A (2022)’. ‘Table 1. Factors that influence the selection of a procurement method’. Taken from report *‘Factors influencing the selection of a procurement route for UK off-site housebuilding. Proceedings of the Institution of Civil Engineers – Management, Procurement and Law 175(1): page 3, <https://doi.org/10.1680/jmapl.20.00027>*

Factors	Maizon et al. (2006)	Shiyamini and Rameezdeen (2007)	Babatunde et al. (2010)	Onosakponome et al. (2011)	Rosli et al. (2006a)	Hashim et al. (2008)	Cheung et al. (2002)	Ng et al. (2001)	Shafik and Martin (2006)	Abu Bakar et al. (2009)	Ojo and Gbadebo (2012)	Naoum and Egbu (2016)	Sawalhi and Agha (2017)
Project completion within budget	x		x						x			x	x
Speed of construction		x	x						x			x	x
Good quality of construction project	x	x	x			x			x	x		x	x
Price certainty prior to commencement	x	x			x			x	x			x	x
Experienced clients	x	x		x		x	x		x		x	x	x
Clients' specific requirements and objectives can be met													x
Flexibility to change design during both the design and construction periods	x	x		x				x	x		x		x
Quick response to clients' new requirements												x	
According to clients' financial capabilities minimum risk	x	x		x		x						x	x
Allocation of responsibility	x	x		x								x	x
Qualified professional involvement													
Clients' willingness to take risks				x		x						x	
Payment modality							x	x	x		x		
Technical complexity of the project	x					x						x	x
Design reliability			x						x			x	
Prefabrication process										x		x	
Material transportation process									x			x	
Project funding method		x					x	x			x		
Constructability of design				x				x		x		x	x
Site risk factors	x			x									x
Available resources of the project													x
Construction method		x				x		x			x		x
Qualified, knowledgeable and experienced contractor		x					x					x	
Minimises construction disputes			x			x						x	
Material distribution									x				
Project size		x					x	x			x	x	
Project site location		x		x			x	x			x	x	
Skilled/unskilled labour availability										x			
Material availability									x			x	
Industrial action													
Regulatory environment										x		x	
regulating feasibility													
Government policies													
Market forces							x						
Political considerations													
Environmental issues		x								x	x	x	x
Inclement weather										x			
Price competition	x	x			x		x	x		x	x	x	x

Agapiou A (2022).

Appendix 2

Table 1: Brief Criteria for best offering the best tender

Criteria	Description
Price	Making sure cost fair and included all of the information required. Not too many short cuts or cheaper options. To be offered to client only if safe.
Collaboration	Interaction with the client, live steam of drawings, and continued flow of information during tender process.
BIM	Building image modelling. Using all the tools to safe information, drawings and visual / expectation of the building required. This can also be used to Price for materials and

	measure quickly during tender and project. Clash detection also during the project and when tendering for the client or contract during design and build.
Current Market	Knowing the current market and knowing if it could affect the tender cost to change or increase during certain times of the year.
Surveying	Using or requesting surveys to be complete for ground conditions, measurements. Drones surveying or anything that can be used to getting the correct cost or helping reduce error.