



Engineering And Construction Contract Specifications [CVE449]

METHODS OF CONTRACTOR SELECTION

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Objectives

- ▶ By the end of this lecture, you will:
- ▶ Know the different methods of contractor selection.
- ▶ Discuss the advantages and disadvantages of each method of contractor selection.
- ▶ Select the appropriate method of contractor selection for different construction projects.

Method of Contractor Selection

- ▶ Tendering:
 - ▶ Competitive Tendering
 - ▶ Open Tendering (المناقصة المفتوحة)
 - ▶ Selective Tendering (المناقصة المحدودة)
 - ▶ Negotiated Tendering (المناقصة التفاوضية)
- ▶ Direct order (الإسناد المباشر)
- ▶ Serial Tendering (المناقصة المرحلية)

Contractor Selection

- ▶ Selecting a contractor is such an important part of the construction process that it is well worth investing plenty of time and resources in the task.
- ▶ A good relationship between the client or “employer” and the contractor and other members of the construction team can materially affect the outcome of a building project.

Competitive Tendering

- ▶ Many people are used to hearing about the advantages of competitive tendering, where several suitable contractors are given a package of documents and asked to come up with a price bid within a few weeks.
- ▶ Usually the contractor who offers the cheapest price is chosen.

Competitive Tendering

- ▶ This may provide the lowest price at the outset, but it can result in a contractor having under-priced the work, subsequently looking for ways to inflate the price or experience financial difficulties.
- ▶ The competitive tendering method requires careful preparation of comprehensive drawings, specifications and preferably bills of quantities, upon which a contractor can base his price.

Competitive Tendering

- ▶ It can contribute to an adversarial relationship developing between the members of the team.
- ▶ It should be remembered that tendering by several firms, each with its own subcontractors, will result in about 90% of the resources committed to the process being wasted, since there is only one winning main contractor.
- ▶ This waste of resources adds to overall costs.

Open Tendering

- ▶ Contractors are invited through an announcement in public media.
- ▶ Large number of contractors responded.
- ▶ Public agencies are forced to use open tendering.
- ▶ The lowest bid is awarded the job
- ▶ The lowest bid contractor may fail to complete the project.
- ▶ Obtain the lowest possible price.
- ▶ It is not possible to form bid rings.

Selective Tendering

- ▶ Contractors are invited through an announcement in public media.
- ▶ Only qualified contractors are allowed to bid.
- ▶ The owner prepare a short list of prequalified contractors.
- ▶ Limited number of contractors bid in the project compared to open tendering.
- ▶ It is possible to form bid rings between bidders.
- ▶ Used for important projects.
- ▶ The quality of work is guaranteed through prequalification.

Negotiated Tendering

- ▶ In this method, the client and advisers consider which contractors are best suited to the type of work.
- ▶ Trusted contractors are invited to bid in the project by mail or direct contact.
- ▶ A selection is then interviewed to determine their keenness and possible contribution to the team.
- ▶ Usually the quantity surveyor sets out to agree a framework with the chosen contractor, for the costing of labor, materials and profit and the selection of any specialist sub-contract packages for pricing by others.

Negotiated Tendering

- ▶ If negotiations over prices break down at this early stage, another contractor is selected.
- ▶ The quantity surveyor will work with the contractor to update the cost plan or budget and report to the team.
- ▶ Negotiated tendering is used for maintenance project or projects with incomplete design.
- ▶ Project price is relatively high.
- ▶ Project quality is guaranteed through contractor reputation.

Advantages of Negotiated Tendering

- ▶ The contractor works as part of the team and may provide practical assistance and construction knowledge that can influence detailed design.
- ▶ The contractor will look for a design to be “buildable” which may sound obvious, but it is surprising how often designers do not put enough thought into the practicalities of working on a restricted site.

Advantages of Negotiated Tendering

- ▶ The contractor may also introduce specialist subcontractors to the table, each of whom may have a particular contribution.
- ▶ Specialists as lift engineers, kitchen specialists, door and window fabricators, ironworkers, landscape gardeners and so on can all help with ideas and advice to help produce a good result.

Direct Order

- ▶ A trusted contractor are awarded the project.
- ▶ Owner negotiate the price with the contractor.
- ▶ Used for confidential projects or when the contractor has a new technology.
- ▶ Project price is relatively high.
- ▶ Project quality is not guaranteed.

Serial Tendering

- ▶ Used for very large engineering projects.
- ▶ The project is divided into several stages.
- ▶ First project stage are awarded to a contractor using competitive or negotiated tendering.
- ▶ Next stages are awarded to the same contractor if succeeded in achieving owner requirement in earlier stages.
- ▶ Owner benefits form repetition of the work to achieve better quality with minimal cost.
- ▶ Enhance relation between the owner and contractor.

Questions?

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