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 prepares 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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