



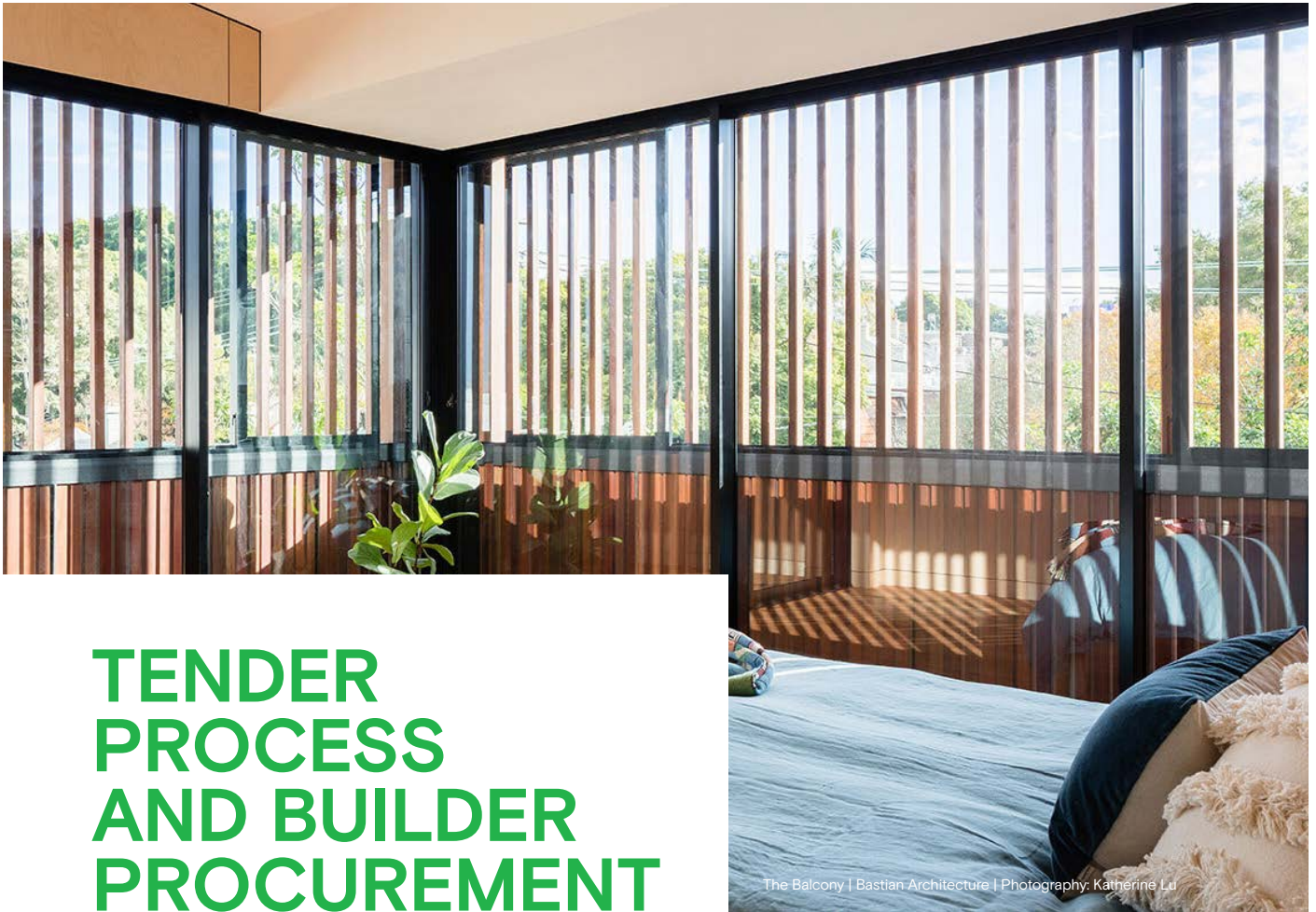
Australian
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CLIENT RESOURCE

Single Residential Projects

TENDER PROCESS AND
BUILDER PROCUREMENT





TENDER PROCESS AND BUILDER PROCUREMENT

WHAT IS A TENDER?

Tendering refers to the stage of the project where a builder, or builders, provide a written quote to carry out the building works associated with bringing your project to life.

WHAT DOES THE TENDER PROCESS INVOLVE?

The tender process you choose will depend on your specific project. Your architect can advise on the appropriate tender process for your project.

In all cases, the builder will base their quote on a set of tender documents. At a minimum a tender documentation set will include architectural and consultant drawings, a building specification and a nominated contract. Your architect will produce, coordinate and collate this documentation set for you.

This documentation set is critical. The more items you resolve and the more detail included in the drawings and documentation, the easier it is for a builder to provide an accurate and transparent quote.

During Tender your architect can:

- Help you select builders to tender your project
- Prepare and collate the Tender Documentation package
- Send the Tender Package out to selected builders
- Meet the builder on site and run through the project in detail
- Respond to any builder queries and ensure all builders receive all the responses
- Review all submitted tenders
- Discuss inclusions and exclusions with the builder to ensure that all tenders include the same scope of works
- Obtain references from past architects and clients.

It is essential that the tender process is conducted in a fair and transparent manner with all builders receiving the same information, including responses to questions throughout the tender process. This allows for prices to be comparable.

HOW DO YOU SELECT A BUILDER?

Often your architect will have a list of builders they have worked successfully with.

Other ways to find and select a builder include:

- Previous working relationship with the owner
- Referral from family, friends or colleagues
- An expression of interest
- Press (social media, magazines etc).

You should practise your own due diligence and contact past clients of the builder

TYPES OF TENDER

There are many ways to tender, each with their own advantages and disadvantages. Discuss with your Architect which is the most appropriate for your project.

Typical tender types for residential projects include:

- Competitive Lump sum tender
- Negotiated Tender
- Cost Plus Tender

Refer to the AIA Client Resource: *Types of Tender* for further information.

ASSESSING THE TENDERS

Assessing the tenders is a critical part of the project and should be undertaken by the Architect. The Architect will have the best understanding of the design and project as a whole.

During the tender review process, the Architect will carry out the following:

- Cross reference tenders to ensure you are comparing 'apples with apples'
- Contact the builders to ask questions about their tender and ensure everything is covered in their price

Note: while it may seem advantageous not to alert a builder to something they have missed it is not a good long term strategy as this could cause financial hardship to the builder and impact the timing and quality of the project

- Review tender and contract conditions and negotiate these with the builder on your behalf

An architect's knowledge of building contracts is key to this assessment process, for more information on contract types refer to the AIA Client Resource: Contract Administration.



Birchgrove House | PASSER | Photography: Pablo Veiga

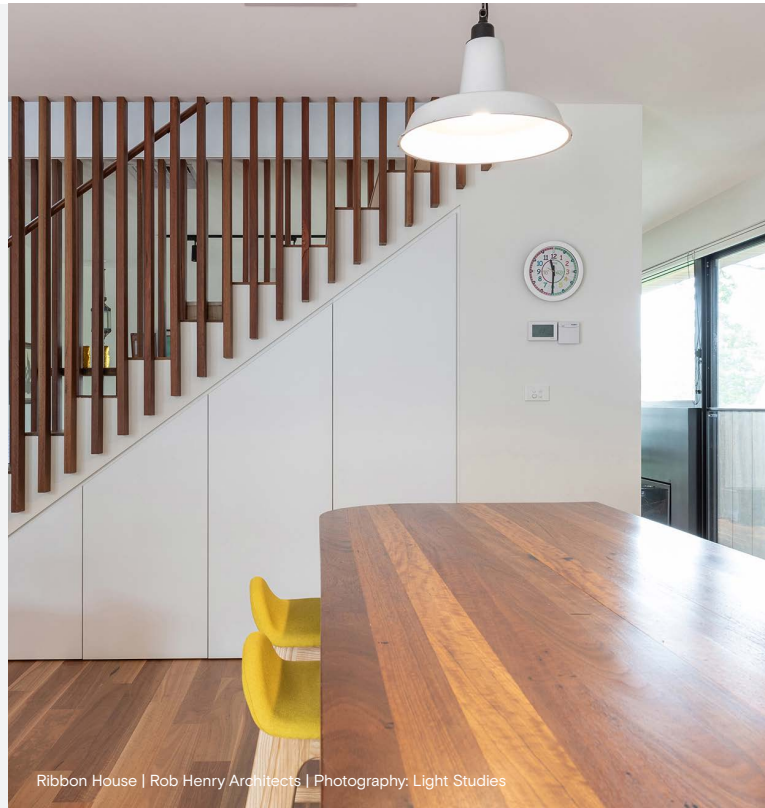
CASE STUDY – KENSINGTON SEMI

Chris and Alex engaged their architect John to coordinate and manage a lump sum tender for the renovation to their home. They decided on a list of 4 builders they would like to ask to tender, two of these builders had worked with John previously, one was a referral from their neighbour and Chris follows the other builder on Instagram and really likes their work.

All four builders have provided a price and John is working through the tenders. Builder 1 is the highest, Builder 2 and 4 are in the middle of the price range are quite comparable and Builder 3 is the lowest by a significant margin.

On review and in discussion with builders John establishes the following:

- Builder 1 received quotes for the joinery as per the tender documents. The amount he has allowed for joinery is based on these quotes and is a fixed price.
- Builder 2 has not obtained quotes for the joinery but has an allowance for joinery in his quote, this figure is based on his previous experience,
- Builder 3 has obtained quotes as per the tender documents but has not submitted a fixed price, rather he too submitted an allowance for the joinery, this price is based on the quotes he received,
- Builder 4 has allowed for cheaper materials and a simplified design to make the overall contract price more competitive.



Ribbon House | Rob Henry Architects | Photography: Light Studies

Builder 1 is the only price that allows for the joinery as it was specified by John for a fixed price. The price allowed by Builder 2 is open to rise and fall when quotes are sought during the build, Builder 3's price is also open to rise and fall but likely to be more accurate than builder 2's. Builder 4's price does not allow to deliver the design as specified.

John's expertise allows him to advise Chris and Alex on best tender overall, taking into account the differences in what the builders have priced and how they have presented their quote. John's thorough review of all tenders will help Chris and Alex find a balance between price, expectation of quality and risk of price escalation which suits their project.

POST TENDER NEGOTIATIONS

Once the tender has been reviewed the client then needs to make a decision on how to proceed. Options are generally

1. Choose a preferred tenderer accept their price as is and proceed with the project.
2. Not accept the prices offered and either retender or abandon the project.
3. Choose a preferred tenderer to negotiate with and advise other tenderers that you are doing this and that you might come back to them if current negotiations are not yielding a result.

Builders spend a lot of time to produce a tender, by affording procedural fairness and transparency to the post tender negotiations you are demonstrating respect for the builders time and effort and acknowledging that there is further time and effort to be spent by builders in further negotiating the price. Recognising the more competitive or comprehensive tenderer as the first to be negotiated with rather than negotiating with all tenderers at once, is one way of recognising the effort put into the initial tender.

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