



PRICED BILLS OF QUANTITIES

The requirement from time to time by clients, particularly state departments for a priced bill of quantities to be submitted together with tender documents has resulted in the Construction Industry Development Board (CIDB) issuing a practice note, #21 dated 21 August 2010, on the subject.

The CIDB recommends that:-

- Tenderers are not required to include priced BoQs at the closing time for tenders. (Tenders may, where necessary, be required to complete the summary of the BoQ and include this in their tender submission).
- During the evaluation process, the highest ranked or highest scoring tenderer should, in terms of the CIDB standard for uniformity be requested to provide clarification of a tender offer in response to a request to do so from the employer during the evaluation of tender offers. This may include providing a breakdown of rates or prices and correction of arithmetical errors by the adjustment of certain rates or item prices (or both). No change in the competitive position of tenderers or substance of the tender offer is to be sought, offered, or permitted.
- The acceptability of the rates in the BoQ should be confirmed before recommending the award of the contract to the tenderer.
- The accepted BoQ may be incorporated into the contract that is entered into.
- The completion of a BoQ by a tenderer is an onerous task which needs to be completed within relatively short time frames.
- Many decisions need to be made including what is the total tender price, what are the overheads, risk allowance, profit that is to be applied and what are the rates for each item.
- The rates that are tendered may also need to be determined from the estimated costs for groups of activities linked to a programme. Once a decision regarding the total tender price has been reached, the rates for each and every item need to be finalized. This can be a time consuming exercise.

Additional cost to clients

The marking up of individual rates for overheads, risk allowance and profit as well as the request to subcontractors for individual rates usually only occurs once the tender has been submitted and is obviously not required if the tender is unsuccessful. The preparation of fully priced bills of quantities, particularly for building work, for unsuccessful tenders adds unnecessarily to the cost of tendering. This cost is passed on to the client indirectly in the form of an increase in overhead costs.

Discourages tenderers

The requirement to submit a BoQ together with a tender can discourage tenderers from submitting tenders, particularly when work is plentiful.

Tenderers may not have the time to prepare and finalise a BoQ prior to the closing time for tenders. Tenderers may prefer to submit tenders to clients who do not require a completed BoQ to be submitted with their tender and only request a BoQ when there is a likelihood that they may be awarded the contract.

The competitive position of tenderers

In compliance with the constitutional imperatives for transparency in procurement, the CIDB Standard Conditions of Tender requires that the competitive position of tenderers be determined by the total of prices that are submitted i.e. the prices that are read out at the tender opening.

This effectively means that the rates contained in a BoQ are not considered when tenders are ranked according to tendered price.

Rates only become a factor during the evaluation process when confirming the correctness of what was offered i.e. the arithmetical correctness of the extensions and the totaling of prices can, in some circumstances lead to the situation in which the competitive position of tenderers change.

In such cases the procedure needs to be repeated. (See cidb Inform Practice Note #2 – Correcting arithmetical errors in tenders).

The most competitive tenderer

An analysis of rates becomes critical when considering whether or not to recommend the most competitive tenderer for the award of a contract i.e. when the evaluator ascertains if unduly high or low tendered rates, unbalanced rates or amounts in the tender offer present an unacceptable commercial risk to the employer.

The complete practice note is available at: www.cidb.org.za.

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