Engineering Policy 145

Tender Contribution Framework
for Non-standard Tendering Mechanisms

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*** N/A to this consultation draft ***
Engineering Policy

1 Policy statement

Department of Transport and Main Roads (DTMR) is prepared to pay a financial contribution (“Tender Contribution”) towards the tendering costs for unsuccessful shortlisted tenderers associated with Early Tender Involvement (ETI) and Design and Construct (D&C) style of contracts, including the Early Contractor Involvement (ECI) tender process. The financial Tender Contribution for each applicable project shall be approved by the General Manager (Program Delivery and Operations).

2 Applicability

This policy applies to the procurement processes for ETI and D&C style offers, including ECI and Alliances.

3 Context

DTMR will contribute towards tenderer’s cost for ETI and D&C style offers, to partially compensate unsuccessful shortlisted bidders for the higher tendering costs associated with these tendering processes. The intention is for the payment to make a contribution towards the costs additional to those for a Transport Infrastructure Contract – Construct Only (TIC-CO) (previously known as RCC) tender process.

DTMR will nominate a tender contribution amount in any Expression of Interest (EOI) before the procurement process commences. Please refer to the attached Engineering Guideline for a summary of the financial tender contribution.

Payment will be made in accordance with the conditions described in the Expression of Interest (EOI) and the Conditions of Tender.

4 Objectives and benefits

A commercial tendering contribution framework involving an interactive tender process will result in a design which will deliver better value for money for DTMR, and ensure the scope of works including constraints is well defined and does not leave opportunities for post acceptance negotiations.

5 Consultation

DTMR has consulted with the Queensland Major Contractors Association (QMCA); the Civil Contractors Federation (CCF) and Consult Australia (CA) regarding the development of this policy.

6 Evaluation

The Executive Director (Program Management and Delivery) will review this policy annually, and republish an updated policy no less than every three years.

Feedback on this policy is welcome at any time, by emailing mr.techdocs@tmr.qld.gov.au.

7 Definitions

CA Consult Australia
CCF Civil Contractors Federation
D&C Design and Construct
DTMR Department of Transport and Main Roads
ECI Early Contractor Involvement
EOI Expression of Interest
8 References

QMCA’s Discussion Paper on Early Contractor Involvement (ECI) and Early Tenderer Involvement (ETI) Reimbursement of Tendering Costs to Competing Contractors; Wilson M, Abson S (2010).
Engineering Guidelines

1 Scope

This guideline relates to the financial Tender Contribution for individual ETI and D&C-style offers.

2 Introduction

Early Tender Involvement (ETI) and Design and Construct (D&C) style of contracts involve a shortlisting approach to tender evaluation and supplier selection, with a contribution towards tendering costs only made to unsuccessful shortlisted tenderers.

The cost of tendering competitive ETI and D&C-style infrastructure procurement processes can be substantial, as they generally require tenderers to retain a project and design team through a competitive procurement process.

The tender contribution is not intended to reimburse the full value of preparing the tender design (in the case of D&C-style offers) or explore design options (in the case of an ETI). It is intended to contribute to direct costs associated with the design elements of the ETI or D&C-style tender process, whilst recognising the cost of preparing tenders is part of a tenderer’s cost of business.

3 Establishment of Contribution Amount

3.1 Design Cost Estimation

DTMR will develop a cost estimate of shortlisted tenderers’ expected design costs in the procurement process.

This estimate will take into account:

• The tender period,
• Design information provided by the Principal,
• The complexity of the design,
• The expected size and makeup of the design team, and
• Any other relevant factors.

3.2 Check

The estimated amount will be considered against the following information and a proposed Tender Contribution amount established:

• Payments previously made by DTMR on similar processes (refer Attachment A),
• Typical industry tendering costs (refer Attachment B), and
• Available project budgets.

3.3 Approval

The approval of the proposed Tender Contribution amount should be sought and obtained from the General Manager (Program Delivery and Operations).

3.4 Payment

Payment conditions and the Tender Contribution amount will be specified in the relevant procurement and contract documentation. Only unsuccessful shortlisted tenderers will be paid a Tender Contribution amount upon meeting the tender document requirements for the submission.
## Attachment A – Previous Projects and Contributions (DTMR projects 2012 to 2014)

<table>
<thead>
<tr>
<th>Procurement Type</th>
<th>No. Projects</th>
<th>Contract Value (CV) (2012 – 2014) ($million excluding GST)</th>
<th>Contribution to each Tenderer %CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETI</td>
<td>5</td>
<td>$12 to $120</td>
<td>0.02 to 0.05%</td>
</tr>
<tr>
<td>ECI and PPP</td>
<td>11</td>
<td>$50 to $1100</td>
<td>0.26 to 0.60%</td>
</tr>
</tbody>
</table>
Attachment B – Typical Industry Tendering Costs

Source: Extract from QMCA’s Discussion Paper on Early Contractor Involvement (ECI) and Early Tenderer Involvement (ETI) Reimbursement of Tendering Costs to Competing Contractors; Wilson M, Abson S (2010).

Table 1 – Typical bid costs to Contractors for different procurement types

<table>
<thead>
<tr>
<th>Procurement Type</th>
<th>External costs % CV</th>
<th>Internal costs % CV</th>
<th>Total bid costs % CV</th>
<th>Amount typically reimbursed % CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCC</td>
<td>0 - 0.4</td>
<td>0.3 - 0.4</td>
<td>0.3 - 0.8</td>
<td>0</td>
</tr>
<tr>
<td>ETI (1)</td>
<td>0.1 - 0.4</td>
<td>0.5 - 0.9</td>
<td>0.6 - 1.3</td>
<td>0.2 - 0.3</td>
</tr>
<tr>
<td>dECI (1)</td>
<td>0.6 - 1.0</td>
<td>0.4 - 0.7</td>
<td>1.0 - 1.7</td>
<td>0.8 - 1.0</td>
</tr>
<tr>
<td>Competitive Alliance TOC (1)</td>
<td>0.9 - 1.9</td>
<td>0.6 - 0.7</td>
<td>1.5 - 2.6</td>
<td>0.9 - 1.1</td>
</tr>
</tbody>
</table>

Note 1 – Costs are post-short listing into the competition phase