

Project References

Tendering and contract strategies



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The key to a successful project is getting the highest possible quality, against the lowest possible price. This is a strong contrast to trying to get the highest possible price against the least possible effort which will be the strategy for the bidding party. The tension between these two extremes is the reason that a well executed tendering process can reduce your project cost with over 20 percent. In fact, Cost Engineering has customers showing even higher reductions in cost. One client saved 23 percent on projects with a total value of tens of millions.

Recently Cost Engineering was approached to assist in tendering for one of its clients. The 75 million dollar project was split up in several contracts, of which the mechanical contract would be worth four million dollars. The future of the plant involved relied on a positive outcome of this project.

Cost Engineering was asked to support the whole tendering process from start to finish. The first step in the process was to determine the scope of the project. This is the first place where your cost will be reduced. With the scope determined, unit rates needed to be established.

All unit rates were based on the activities described in the scope. These unit rates were determined by combining market information, standard knowledgebases and historical data for this particular plant. Over 68.000 unit rates were analyzed and finalized for use in this project. Cost Engineering then took great care defining indirect cost to ensure there could be no hidden margins in the indirect cost during the project.

With project scope and unit rates determined, Cost Engineering made a reference estimate which would be used for a comparison of all bids. Then, with the official tendering process about to start, Cost Engineering was asked to advice on the actual contract strategy.

Excel sheets were prepared and sent out to potential contractors as an Invitation To Tender (ITT). This meant that contractors could put in their bid by simply filling out the Excel sheet and sending it in. The bids were then imported into Cleopatra Enterprise by Cost Engineering. This allowed an easy comparison against the reference estimate. During this project a group of 15 potential international contractors was carefully analyzed. After a final contractor was chosen, Cost Engineering set up the contract database.

Making use of a contract database enabled the organization to re-use the data for the contract. This will significantly shorten the lead time for new projects. The contract database also was the input for the projects' cost control and ERP system. During the execution of the project, Cost Engineering professionals supported the client in the process of cost control and quantity surveying.

This project was finished within budget and with an estimated 17 percent reduction in project cost in comparison to projects that Cost Engineering had not been involved in.



Cost Engineering has provided knowledge to:

StatoilHydro



CORUS

HUNTSMAN



Eneco

bluewater

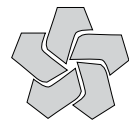


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