Evaluating Tender Price

Introduction

This guide note provides information on methodology used by the Department for Infrastructure and Transport for evaluating tender prices for Building Contracts and Professional Service Contracts for Building Projects.

Tender Evaluation Methodologies

The Department's Building Projects directorate generally employs Value Select methodology for the evaluation of tenders. On rare occasions Comparative Price methodology may be used for low risk, low value projects.

Value Select methodology considers price and responses to non-price criteria, while Comparative Price methodology only considers the tender price.

Under both methodologies, a weighted scoring system is used in determining the preferred tenderer.

Weightings allocated to evaluation criteria are based on standard tender weightings and are designed to reflect the project's risk profile and value, the services required and the procurement model.

The inclusion of non-price criteria allows the evaluation of a tenderer's proposed approach to the project and other qualitative elements, such as the relevant experience of the project team and the company.

The emphasis on non-price criteria increases as value, risk and complexity increases.

Evaluation of Price

The criterion of price has two sub-criteria that are individually weighted and scored: Tender Price and Price Risk.

The weightings for Tender Price and Price Risk are based on standard weightings that are also designed to reflect risk, value, services and procurement model.

For Professional Service Contractor and Managing Contractor tenders, where the emphasis is on non-price criteria, the weighting for Price Risk will generally be equal to or less than the weighting for Tender Price, but these weightings may be adjusted to suit the risk profile for the project.

For lump sum General Building Contractor tenders, where the emphasis is on price criteria, Price Risk will generally have a greater weighting than Tender Price due to the potential for low bids leading to poor safety, quality and time outcomes.

The scoring for Tender Price is linear based and compares the tender sum with the lowest acceptable tender sum received. The lowest acceptable tender receives the maximum score for this sub-criterion, while the other tenders receive increasingly reduced scores the further they are away from the lowest tender sum. Any tender sum that is at least 100% higher than the lowest tender sum receives a score of 0. The linear scoring system is illustrated by Figure 1 in Appendix 1.

The scoring for Price Risk is based on a bell-curve and compares the tender sum with a Price Benchmark.

The Price Benchmark is prepared prior to evaluation by the Department's Budget Risk Advisor using the Trimmed Mean Formula (refer below), and takes into consideration the submitted tenders and the tender comparison estimate.

Tender sums within 5% of the Price Benchmark receive the maximum score for this sub-criterion, while tender sums further below and above the Price Benchmark receive increasingly reduced scores. Tender sums that are more than 40% below or above the Price Benchmark receive a score of 0. The bell-curve system used in scoring Price Risk is illustrated by Figure 2 in Appendix 1.

For Professional Service Contractor tenders, disbursements are removed from the tender sum for the purpose of evaluating price.

Price Benchmark: Trimmed Mean Formula

The Trimmed Mean Formula, used to calculate the Price Benchmark, is as follows:

- Where there are four or more tender prices (including the tender comparison estimate), the Price Benchmark will be the mean of all tender prices excluding the lowest tender price and excluding the highest tender price.
- Where there are less than four tender prices (including the tender comparison estimate), the Price Benchmark will be the mean of all tender prices.

In the application of this formula, the tender comparison estimate is treated as a tender price.

Contact

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Appendix 1: Price Scoring Systems

Figure 1: Linear Scoring System for Tender Price

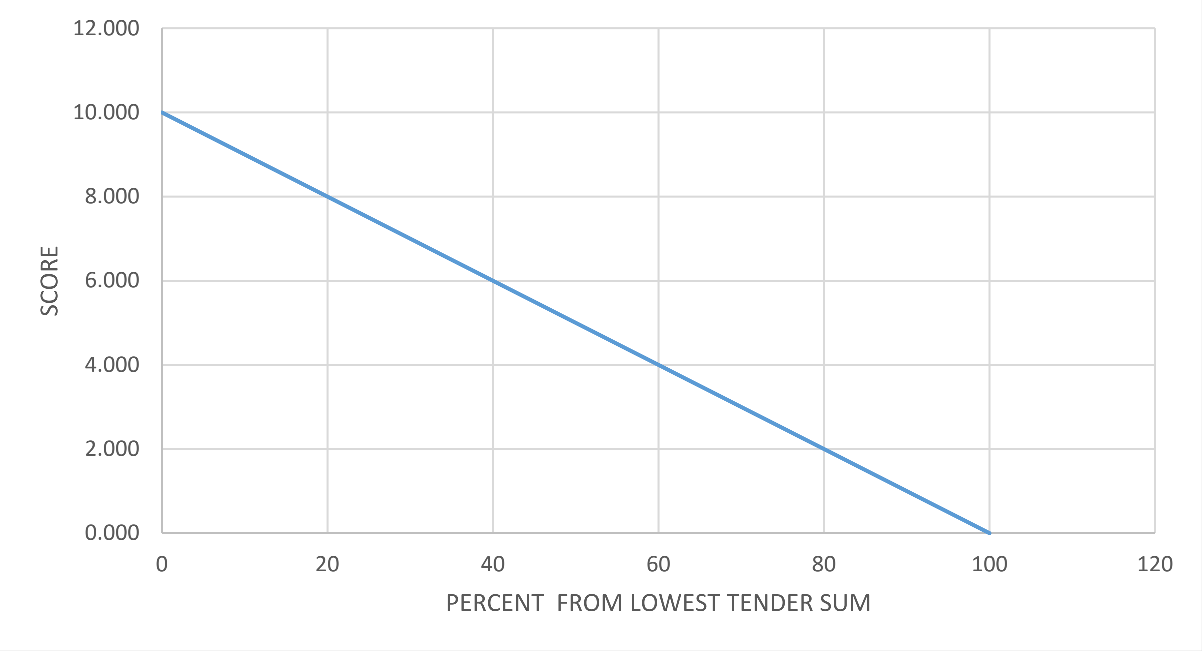

Figure 2: Bell-Curve Scoring System for Price Risk