

NEW SURVEY SHOWS OVER HALF OF TENDERS FOR CONSTRUCTION PROJECTS ARE BELOW COST

17% GAP BETWEEN BELOW COST TENDERS AND REALISTIC CONSTRUCTION COSTS

SURVEYORS PRESIDENT SAYS SEVERAL STATE PROJECTS HAVE COLLASSED DUE TO BELOW COST TENDERING

Sunday 21st August 2011. According to a new survey on tender prices over half of all tenders for construction projects are now coming in at below cost.

The survey, carried out by the Society of Chartered Surveyors Ireland, shows the percentage of below cost tenders submitted for construction projects has risen from just over a third (37%) to over a half (52%) in the last two years.

The Chartered Quantity Surveyors estimate that below cost tenders are approximately 17% below realistic construction costs.

The Society of Chartered Surveyors Ireland has warned construction companies that this is an unsustainable practice, which will result in longer-term problems for industry clients and will cost the industry jobs and expertise.

The President of the Society of Chartered Surveyors Ireland, John Curtin pointed out that below-cost tendering has already led to the collapse of a number of State construction projects, including school buildings.

'Below-cost tendering, by contractors is likely to continue over the next twelve months. This race-to-the-bottom poses a real threat that tenders will not provide the required standard of construction quality and professional expertise needed for the long term viability and return on investment of any project over its life cycle' Curtin said.

The survey showed that;

- 97% of Quantity Surveyors report an increase in below-cost tendering over the last three years, and 87% report an increase in the last twelve months.
- The percentage of submitted tenders which were below-cost has increased from 38% in 2009 to 52% in 2011.
- 83% of Quantity Surveyors have experience of a client accepting the lowest bid even though it was considered below cost.
- 55% of Quantity Surveyors have experience of projects failing to be completed because they were below-cost, 68% of which were public projects

- 83% of Quantity Surveyors believe that they or their clients have lost business to tenders which were submitted at below cost.
- 40% of Quantity Surveyors believe that instances of below-cost tendering will increase in the next 12 months.
- Quantity Surveyors estimate that there is a 17% difference between below-cost tenders and realistic construction costs

The Society of Chartered Surveyors Ireland said that in light of these findings it was warning contractors of the dangers of tendering for projects at a value below the cost of undertaking the work, and warning clients of the dangers associated with accepting tenders which they believe to be below-cost, however attractive they might seem in the short-term.

“The longer- term consequences for projects that cannot be completed at the tendered price cannot be underestimated. It is in the public interest to ensure that the highest construction standards are provided for at the outset and can be maintained over the life-time of the construction project. Ensuring that the tender takes these factors into account and is not just based on the lowest price is crucial”, Curtin concluded.

ENDS.