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## UNIT 12 CONTRACT PROCEDURES AND DOCUMENTS

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### 12.1 INTRODUCTION

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In Unit 11, you were told about the legal aspects of the contracts. It also covered the various types of contract suitable for construction. In this unit, you will learn about the procedure to enter into a contract.

#### Objectives

After studying this unit, you should be able to

- describe the process of invitation to tender,
- discuss pre-qualification procedure for the contractors and formulate the general and special contract conditions,
- know procedure of drafting technical specifications and furnishing the necessary "construction" and "as executed" drawings,
- explain the tender and performance bond, and
- prepare the letter of intent.

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### 12.2 INVITATION TO TENDER

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Tenders are invited to ascertain whether an offer can be obtained within such a margin as the project owner is willing to adopt. The invitation to tender may be extended to more than one contractor. A list of contractors is prepared with due care and attention. It is necessary that the tenderers are of equal standing chosen for their suitability for the particular project or work.

While inviting tenders the engineer or the architect should take great care to ensure that great secrecy is maintained while inviting tenders. The names of the competing contractors should not be disclosed till after the tenders are opened. This is because if this information becomes known there is a possibility that contractors who are tendering may collude and thus increase the price.

An invitation to tender means something in the nature of an obligation to accept the lowest tender. The invitation to bid is normally issued in the form of an advertisement or as a separate letter addressed to individual bidders. The purpose is to supply such information as is necessary to enable potential bidders to decide whether they could or should take part in the bidding. It should therefore include: eligibility criteria; the scope of the works together with the principal quantities; construction period; sources for further information; cost of bidding documents; amount of the bid security; date of tender submission; and any important or unusual tender evaluation criteria. The invitation to tender may be incorporated in the tender documents merely for record, or it may be omitted.

A provision is made in the advertisement that the project owner is not bound to accept the lowest tender or any tender for that matter. An expressed offer to accept the lowest tender would be a binding on owner and will have the effect of turning the invitation to tender into an offer.

An invitation to tender for the proposed project is sent out by the owner under the advice of the engineer or the architect. Tender documents are issued to the tenderers. These documents include the proposed conditions of contract, plans, specifications, and bill of quantities with two columns left blank, one for the unit price and the other for the amount. These two columns are filled in by the tenderers. While tenders are being invited, it is necessary that the competing contractors are given detailed information upon which to make up the tender. It is essential that each contractor be given identical particulars, or else the tenders will be unsatisfactory. The object of mentioning the quantities in the tender documents is to enable the firms tendering to compete on the same basis. If at some time before opening the tenders, it is found that some alteration is necessary in the particulars already sent out, it is essential that all the contractors invited to submit their tenders should be notified about the change or alteration made and their acknowledgement received.

Adequate time should be allowed for receiving the tenders. This will enable the contractors to make necessary enquiries and obtain quotations for special materials and items to be procured. This will ensure that the tenders would be on the lower side.

Early in the tendering stage the intending contractor will usually send out bid invitations to all material dealers and subcontractors who are believed to be interested and whose bids would be desirable. This mailing, by post card or a formal letter, advises of the project under consideration, the items for which a quotation is requested, the deadline for receipt of the proposals by the prime contractor, the place where he will receive the bids, the place where the bidding documents are available for the subcontractors, the name of the person to whom a proposal should be directed, and any special instructions that may be necessary. Prime contractors usually maintain a card or computerised file with lists of addresses and other pertinent information about material suppliers and subcontractors. These files are maintained both by geographical area and by speciality.

The tenders should be opened in a straight-forward way. To remove all suspicion of favouritism, the tenders are opened by the engineer in the presence of all tenderers who may choose to be present. In cases where no tender has been received within the time prescribed, late tenders should be opened. However, tenders received very late should not be opened but returned to the tenderers.

No tender should be opened without obtaining the owner's authority. The acceptance of a tender should be made known to the party within a reasonable time and in no case should it be extended beyond the date when the work has to be started as laid down in the Invitation to tenders.

After opening the tenders a comparative statement is prepared of all the tenders received. Generally, the lowest tender is accepted but it is unwise to accept a tender which is too low due to some serious mistakes in the estimation. The engineer should ensure that there are no mistakes in the tender before accepting it. A copy of the comparative statement may be sent to the contractors who submitted the tenders. But this should be done after the contract has been signed, particularly so, if the lowest tender accepted is much below the next.

### SAQ 1

- (a) What is the procedure to invite tenders ?
- (b) What does the intending contractor do before submitting his bid ?
- (c) What is the procedure to open and evaluate a tender ?

## 12.3 INSTRUCTIONS TO THE TENDERERS

For competitive bidding to be valid, all tenders should bid under exactly the same conditions for an identical package of work. This requires that all bidders conform to a set bidding procedure. When competitive proposals are requested, a considerable amount of information regarding the tendering process should be communicated to all the intending tenderers. This information is usually included in one of the first divisions of the specifications and is designated as "Instructions to Tenderers". These instructions give the requirements of the owner and also prescribe the procedures the bidding contractors are required to follow. The document mentions conditions related to the form of the tender, where and when it must be submitted, security required, and information concerning late bids and bids submitted by mail or telegram or courier. If the instructions are not followed it may result in the contractor's bid not being accepted.

Clauses are included that give the owner the right to reject any or all of the bids, to postpone the date of opening the tender, and to exercise many rights and privileges in the selection of the successful bidder. Standard sets of instructions are designed for general purpose and do not normally provide all the information specific to a particular project that would be required by a prospective tenderer. Supplementary instructions or modifications are customary or reference is made to certain specific information of interest to tenderers already contained in the advertisement or invitation to tender.

### SAQ 2

What information is contained in the "Instructions to the Tenderers" ?

## 12.4 PREQUALIFICATION OF CONTRACTORS

Bids accepted from all who are inclined to compete, and the contract awarded to the lowest responsible bidder introduces problems in the awarding of contracts for public works. For a bidder to be responsible under open competition, he has to furnish the required surety and a record that is free from defaults or proved dishonesty. Thus, incompetent contractors and those with inadequate financial resources may be placed on an equal basis with responsible bidders in the competition for the award of a contract. Thus, there should be some mechanism to avoid such a situation.

During the operation of the contract, the employment of an unqualified contractor leads to difficulties. It may result in excessive costs on account of slow progress and unsatisfactory quality of work. In fact incompetency is one very important factor in contracts which always cause inconvenience, delays, and extra cost to the owner. To reduce or avoid these problems, the pre-qualification of contractors has been recommended.

The purpose of pre-qualification is to ascertain before a contractor is allowed to tender, whether he is responsible and competent to complete a given construction contract satisfactorily. In some cases the prequalification procedure is sufficiently comprehensive so that it is considered safe to reduce the amount of surety bonds, or to delete them altogether, in the award of contracts, while it is assumed that all unqualified contractors are eliminated from the final list of approved contractors.

Compiling a list of prospective bidders is a difficult task, because

- (a) omission of a particular contractor is likely to be criticised as unfair;
- (b) political pressure may be exerted in favour of one or more concerns;
- (c) a contractor who can readily handle one kind of work might not be equipped for work of another nature;
- (d) a contractor may be able to perform a small contract but not a big one;
- (e) a contractor who is not able to qualify at one time may be able to meet all requirements later, or vice versa; and
- (f) the ability to complete a contract work successfully is not always easily determinable.

As a general case, it seems preferable to disallow unqualified contractors to submit tenders at all, rather than to refuse to award them the contract after they have taken the trouble and expenses of submitting their proposals.

#### 12.4.1 Prequalification Procedure

The prequalification procedure lays down that the contractor submit a formal application to tender. The application contains sufficient information, which are usually answers to a questionnaire, to determine whether the contractor is competent and fit to perform the proposed work. The application should contain detailed information as to the contractor's past experience, present work, financial status, quality of organisation, and available equipment and plant. When these factors are considered unfit contractors will usually be eliminated from the list of those permitted. The value of the contracts executed in the preceding five years is, for example, a measure of a contractor's average annual capacity. The difference between this amount and the value of incomplete contracts in progress is an indication of his available capacity for taking on new work. If his available capacity is not at least equal to the estimated value of the new contract, his organisation should be closely examined to ascertain whether he has the ability to expand to meet the additional load. Similarly, his financial condition should be examined as compared to the estimated amount of working capital required for the proposed work, and his past experience in the type of work in question should be of appropriate quality.

#### 12.4.2 Example of a Prequalification Questionnaire

A typical Prequalification Questionnaire would include the following :

- (a) Name of firm; state whether individual, partnership, corporation, or joint venture. Give date of organisation, the state in which it is incorporated, and names and addresses of officers or partners.
- (b) Official address.
- (c) How many years has your firm been in business as a construction contractor under your present business name?
- (d) List by years the contracts completed during the past five or ten years, giving the nature of work and contract amounts.
- (e) Amount of uncompleted work on contracts now in progress. List the total value of each contract, percentage uncompleted, estimated date of completion, and value of uncompleted portion.
- (f) Financial resources available as working capital for new work. State both cash on hand and sources of credit. Attach recent financial statement and letters from banks regarding credit.
- (g) List items of equipment and plant suitable and in good condition which can be made available for new work; state whether owned by you, where located, and, if not owned by you, what assurance you have that the equipment will be available when needed. Also give the total present value of available equipment and plant.
- (h) List of officials and key personnel who would devote full or part time to a new contract. Give name, title, age, experience, and salary of each.
- (i) Knowledge of local conditions; transportation facilities, material and labour markets, living conditions for workmen and families, etc.

- (j) To what extent would you expect to employ subcontractors ?
- (k) Does your organisation include men experienced in securing cooperation of materials dealers in prompt filling of orders, and in securing cooperation of labour? Give details.
- (l) Have you ever failed to complete any work awarded to you? If so, give details.
- (m) Has an officer or partner of your firm ever been an officer or partner of some other organisation that failed to complete a construction contract? If so, give details.
- (n) Has your firm ever engaged in litigation for the settlement of claims or disputes arising out of a construction contract? If so, give details.

#### 12.4.3 Advantages and Disadvantages of Prequalification

Prequalification at best is a judgement of a contractor's qualifications as of the day submitted. Subsequent contracts undertaken might and often do change a contractor's financial condition drastically. However there are advantages and disadvantages of prequalification.

Some of the advantages of prequalification are :

- (a) Lists of competent tenderers may be established in advance when there is sufficient time to investigate the contractor's qualifications.
- (b) When all tenderers are qualified, the contract is simply awarded to the lowest bidder, and the public official who awards the contract is saved the embarrassment of rejecting a low tender from an unqualified contractor.
- (c) Contractors are saved the time and expense of preparing bids for work in which they are unqualified by inexperience and lack of financial and other resources.
- (d) Failures and defaults of contracts during execution are minimised by the elimination of unfit contractors which results in a saving of time and cost of construction work.

Some of the disadvantages of prequalification are :

- (a) The questionnaires are too complicated for small contractors, many of whom have incomplete records.
- (b) The procedure involves undue expenditure of time.
- (c) It places unlimited authority on public officials and offers an opportunity for favouritism.
- (d) It restricts competition to large and rich contractors.
- (e) It tends to eliminate young contractors who are starting in business.
- (f) It is sometimes contended that financial statements and other details of a contractor's business or organisation are personal and private matters and that it is unconstitutional to require that they be made public in a prequalification statement.
- (g) Prequalification standards may be arbitrary and judgement may be unreasonable. Both may restrict local contractors, thereby limiting competition and costs.
- (h) The disqualification of a contractor is a serious matter and must be taken only for a well established reason.
- (i) There is a possibility that disqualification will be construed as a reflection upon the integrity and competency of the disqualified contractor even though the usual causes are inadequate capacity to undertake new work, insufficient working capital to finance the job, lack of the specialised experience required, and so on.
- (j) The value of prequalification is lost when well-meaning public officials reduce the procedure to an effective routine in order to avoid adverse publicity.

#### SAQ 3

- (a) Why is prequalification of contractors necessary ?
- (b) What is likely to happen if unqualified contractors are employed on a job ?

- (c) Why is compiling a list of prospective bidders difficult ?
- (d) What is the procedure for prequalifying bidders ?

**SAQ 4**

- (a) Describe a typical prequalification questionnaire.
- (b) What are the advantages and disadvantages of prequalification of bidders ?

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**12.5 CONTRACT CONDITIONS**

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The contract is usually divided into parts. The first part comprises the basic articles related to the scope of the work, compensation to the contractor, time of completion, and similar other things and is called the "agreement". The second part is called the "general conditions of the contract", and it contains all the supplemental articles. Both the agreement and the general conditions may be standardised and printed for use on all jobs. A third document called the "special conditions of the contract" is then written specifically for each work to cover the special contractual provisions not included in the standard agreement or the general conditions. These three documents, together with the technical specifications and drawings, make up the contract documents.

**12.5.1 General Conditions of Contract**

The general conditions of the contract, which are also called as general provisions, set forth the manner and procedure whereby the provisions of the contract are to be performed according to accepted practices in construction. The conditions are meant to regulate and govern the obligations of the formal contract. They do not exert any effect on any remedy at law either party to the contract may have. They are not meant to regulate the internal workings of either party to the agreement, except insofar as the activities of one may affect the contractual rights of the other party or the proper execution of the work.

The following items are included in the general conditions :

- (a) Definitions,
- (b) Contract documents,
- (c) Rights and responsibilities of the owner,
- (d) Duties and authorities of the engineer or architect,
- (e) Rights and responsibilities of the contractor,
- (f) Subcontractors,
- (g) Separate contracts,
- (h) Time,
- (i) Payments and completion,
- (j) Changes in the work,
- (k) Protection of persons and property,
- (l) Insurance and bonds,
- (m) Disputes,
- (n) Termination of the contract, and
- (o) Miscellaneous provisions.

**12.5.2 Special Conditions of Contract**

The general conditions are intended to apply to a relatively broad range of construction and must be amended or supplemented to conform to the requirements of a particular project. This is achieved by a section of the specifications which immediately follows the general conditions and are called supplementary conditions or special conditions. Some examples of necessary amendments to the general conditions are the number of sets of contract documents to be furnished by the contractor, limitations on surveys to be provided by the owner, special instructions to the contractor when requesting material substitutions, changes in the requirements of insurance, and special documentation insisted by the owner as a condition of final payment.

The standard set of general conditions must quite often be supplemented by additional articles. Conditions of project location, order of procedure, times during which the work must proceed, equipment provided by the owner, other contracts, unusual contract administration requirements, early occupancy by the owner, time of project completion, and liquidated damages are some of the contract requirements required to be incorporated in the special conditions.

The details of these conditions may be seen from any of the literature listed at the end of this block under "Further Reading".

**SAQ 5**

- (a) What are the items included under general conditions of contract ?
- (b) Why are special conditions of contract necessary in a contract document ?

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**12.6 TECHNICAL SPECIFICATIONS**

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The verbal descriptions of the technical requirements of the work to be accomplished, with emphasis placed on the levels of quality of work to be attained are presented in the technical specifications. These specifications are usually presented in approximately the same general sequence as the corresponding construction operations followed in the field during the execution and subdivided according to the general construction craft jurisdiction. The practice is to have a separate division of the specifications devoted to each major type of construction operation that will be involved such as excavation, concrete, structural steel work, erection, etc.

Many projects include elements of such a nature that it is impossible or impractical to verify the adequacy or quality by field tests after the completion of the project. In such cases, the technical specifications lay down the materials and the workmanship standards required. With other construction elements it is possible to measure, test, or otherwise prove the service performance of the finished product. In such cases, the specifications often specify only the desired end result. Such performance, or end-result, specifications are widely employed.

**SAQ 6**

- What are the contents of technical specifications in a contract ?

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**12.7 DRAWINGS**

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There are two types of drawings for any construction project, namely "construction drawings" and "as executed drawings". Both the types of the drawing are shown in Figure 12.1 and Figure 12.2 respectively.

### 12.7.1 Construction Drawings

The plans or drawings are necessary to communicate to the contractor the engineer's intentions concerning the structure he has conceived and designed. They show the physical aspects of the structure, indicating the arrangement, dimensions, construction details, materials, and other information needed for estimating and constructing the project. Every project requires drawings prepared individually for it. Drawings that are complete, intelligible, accurate, detailed, and well correlated will lead to a project which will be more realistically priced and better constructed than one described by sketchy, poorly drawn, ambiguous, and incomplete documents. If well prepared documents are provided, disputes and claims for extra payment during construction are reduced, and the owner is likely to get a much better completed project and at a lesser price.

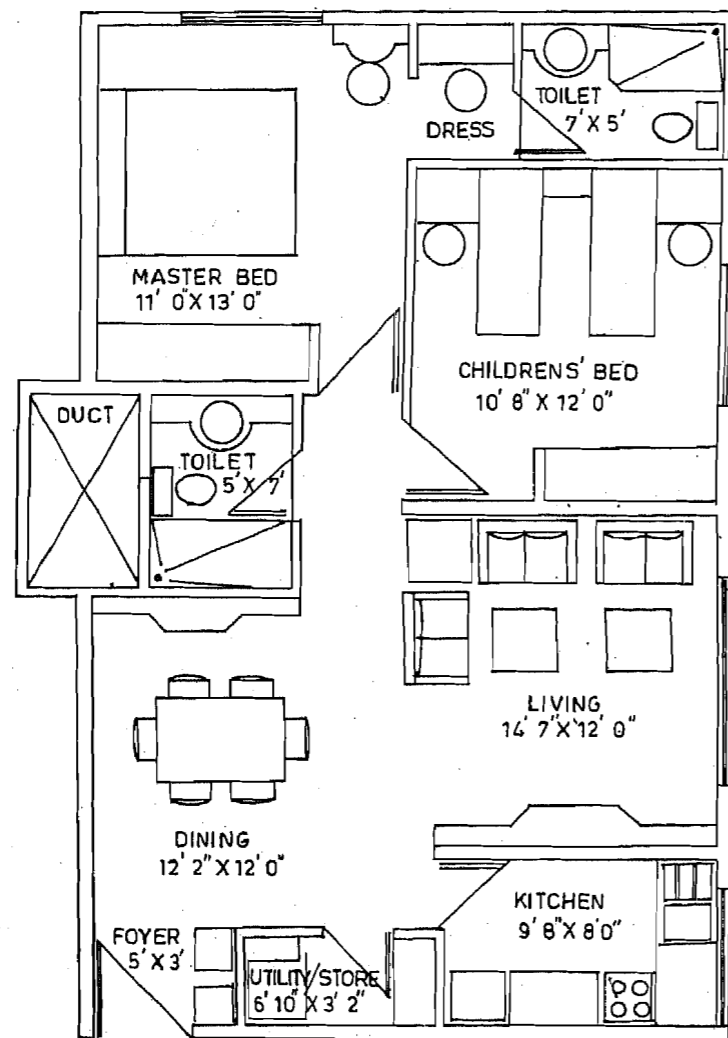


Figure 12.1 : Construction Drawing

From the initial drawings prepared by the design engineer or architect, detailed drawings are produced. Custom and usage have given place to more or less standard classifications of drawings and a definite order in which they appear in a set. The drawings for the non-overflow section of a concrete dam typically include subgroups such as layout plan, foundation treatment, embedments for grouting and drainage, joint details, concreting with reinforcement details, galleries and shafts, road features, and electrical installations, appearing in that order. The sheets of each category are designated by an identifying capital letter prefix and are numbered separately and sequentially. The drawings, if revised subsequently, should be duly issued giving reference to the earlier drawings. However, the drawing format varies with the type of construction. The makeup of the drawings varies considerably between building, industrial, heavy, highway, and utility construction.

Nowadays, an important and growing area is computer production of construction drawings and details. Architects and engineers use interactive computer graphics to design structures and to produce dimensioned construction drawings for the field

personnel. Computer-aided design and drafting (CADD) systems are now useful tools to facilitate the rapid development of the design and production of high quality construction drawings. Many of these CADD systems also determine the field quantities of work as the design proceeds.

### 12.7.2 As Executed Drawings

A common general contract requirement is that the contractor should maintain and prepare one set of full-size contract drawings marked to show the various kinds of "as-built" details. These drawings show the actual manner, location, and dimensions of all work as actually executed. This includes marking a set of drawings to indicate details of work items that were not performed exactly as they were originally shown, such as changed work, changed site conditions, and variations in alignment or location. In addition, details and precise dimensions of those work items that were not exactly located on the original contract drawings should be shown. The set of as-executed drawings is prepared by the contractor as the work proceeds and is turned over to the engineer or owner at the end of the project.

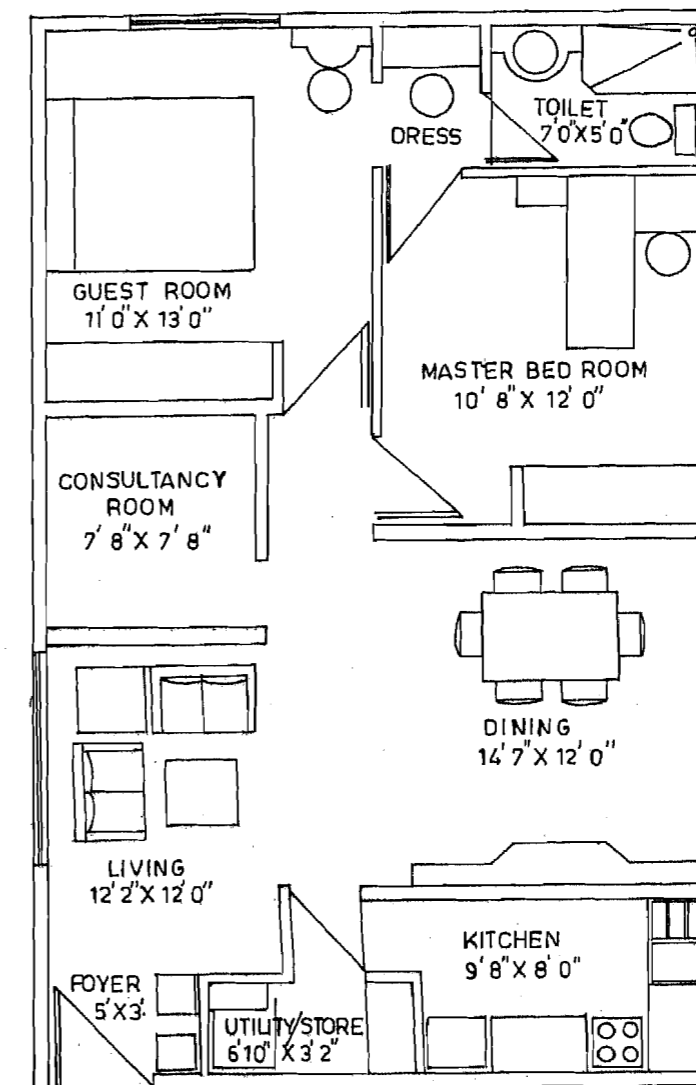


Figure 12.2 : As Executed Drawings

#### SAQ 7

What do you understand by "construction drawings" and "as executed drawings" and who prepares them?

## 12.8 ADDENDA

Addenda are critical documents that are issued during the bidding period to make alterations in any of the tender documents. They usually become part of the contract documents when a contract is made, unless they are issued only to modify a tender document that does not become a contract document. Addenda may be issued to add to, omit from, or alternately, modify any document during the tendering period. They are prepared and issued by the engineer to all who had collected the tender documents. Thus, it is very important that a record is kept of all those who received the tender documents so that all the bidders are assured of receiving exactly the same information. It is for this reason that a space is provided in the bid form to enter all addenda received (by number and date) and taken into account while submitting the tender. The greater risk lies with sub-bidders, especially those who do not possess a full copy of the tender documents and who, for the most part, have to depend on copies deposited by the engineer in plan rooms; and the responsibility is on the prime tenderer to ensure that all sub-tenders they receive are based on all the relevant addenda. The sub-bidders must ensure at the same time that they have seen and accounted for all addenda, and make sure of the same with their own sub-tenders.

Addenda are best avoided whenever possible by documents which require no modifications or corrections, but sometimes they are unavoidable. They should be issued with great care, because in the minds of most estimators, they are not of the same category as other tender documents, especially if they are issued just before the tenders are due and thus, requiring changes to be made in the estimates. A hastily considered addenda may result in either overpricing or underpricing the work. The former results in waste of money, while the latter leads to subsequent attempts by the contractor to cut costs or to make up the loss in some other way. Thus, both prove detrimental to the owner. Corrective addenda are an indication to the estimators and tenderers that there may be other defects in the bid documents, and so addenda often detract from the documents and sometimes prompts a search for ways to claim for additional costs. Hence, addenda should only be issued when they are absolutely essential.

Addenda appear in both verbal and written form. They should be prepared with even greater care than other documents, especially when they are not for a simple addition to the work and involve both a deletion and an addition of either words or work, or both. They should be carefully prepared with the estimators keeping their estimates and tenders in mind because addenda often create plenty of extra work for bidders at the most critical time in a bidding period.

### SAQ 8

- (a) What are addenda ?
- (b) Why should addenda be avoided ?

## 12.9 PROPOSAL

It is the responsibility of the contractor to submit his tender at the proper place and before the time mentioned. The completed proposal form, together with the bid security and other supplementary information, is sealed in an envelope that is addressed as directed in the instructions to bidders and clearly labeled as a proposal for the project being tendered. Tenders may be deposited at any time before the deadline scheduled for their acceptance. The usual practice, where feasible, is that the contractor delivers personally the sealed bid shortly before opening time. Alternately, the proposals may be sent by letter, telegraph, messenger or courier service. A common problem arises when the bid arrives at the designated address after the established time. Though there is some disparity how such cases are handled, most engineers feel that a late bid is not a valid bid.

All proposals are to be opened publicly and read aloud. Such tender openings are attended by the prime contractor, subcontractors, material suppliers, and other interested parties. The procedure consists of the owner or his engineer opening each bidder's sealed

envelope, noting the type and amount of tender security, verifying receipt of addenda, and reading the amount of each tender item. At many tender openings, the estimate of cost prepared by the engineer or owner is also read or distributed to those attending. Tender tabulation forms are also circulated to those attending for noting down the proceedings. It is customary that the tender opening adjourns without an official announcement concerning the identity of the successful tenderer. Before the contract can be awarded, the bids are carefully studied and evaluated by the owner and the engineer, a process known as "canvassing".

After the tenders have been opened and read, the contractor communicates the results of the bidding to his surety company. This information is included into the surety's permanent file on the contractor and forms an important part of the contractor's record of performance.

In closed bidding, the amount of the bids are not necessarily disclosed. After delivery of the proposals, the owner uses the bids in any way he sees fit to serve his own best interests. The owner can select any of the bidders he chooses, or reject all bids. The owner often makes a final selection of the successful contractor only after protracted negotiations.

### SAQ 9

- (a) What are the special features of proposals submitted by different bidders ?
- (b) What does the owner or his engineer do when the proposals are opened ?

## 12.10 TENDER BOND AND PERFORMANCE BOND

### Tender Bond

The tender bond is submitted along with the proposal. It guarantees that the tender has been made in good faith and that the tenderer will enter into the contract if his proposal is accepted. It also guarantees that he will furnish the performance and payment bonds. If the bidder refuses to sign the contract in accordance with his bid, the surety is bound to pay to the owner the damages caused thereby subject to the penalty of the bond. The amount of the bond is usually specified by the owner/designer in the instructions to bidders to be 10% of the amount of the bid.

### Performance Bond

The owner is entitled to get what he contracted for or its equivalent. The performance bond is prescribed for the protection of the owner. It guarantees that the contract will be performed and that the owner will receive its structure in substantial accordance with the terms of the contract. A performance bond includes by reference the terms of the contract, and the responsibility of the contractor is the measure of the surety's obligation. On default of the contractor, the burden of contract performance is that of the surety. A performance bond covers any warranty period that may be required by the contract, the usual bond premium includes one year of such coverage. All performance bonds have a face value which serves as the upper limit of expense, the surety will incur in finishing the contract, should that action becomes necessary. This face value is expressed as a fixed sum of money, the amount of which is usually some percentage of the total contract price.

### SAQ 10

What is the difference between "tender bond" and "performance bond" ?

## 12.11 LABOUR AND MATERIAL PAYMENT BONDS

A payment bond protects third parties to the contract and guarantees payment for labour and materials used or supplied during the execution of the construction. This bond provides the following :

- (a) The claimant must have had a direct contact with the general contractor or subcontractor.
- (b) Labour and material include water, power, light, heat, oil, petrol, diesel, telephone, and rental of equipment directly applicable to the contract.
- (c) Written notice must be given by the claimant, other than the one having a direct contract with the general contractor, to any two of these: general contractor, owner, or surety, within 90 days after claimant performed his last work or furnished the last of the materials.
- (d) The owner is exempted from the liabilities in connection with such claims.
- (e) Claims must be filed in the appropriate court.
- (f) No claims shall be entertained after 1 year following the date on which the general contractor stopped work.

## 12.12 LETTER OF INTENT

Sometimes the owner may want the contractor to commence construction work before the formalities associated with the signing of the contract can be completed. However, the contractor must proceed cautiously in placing orders for material supply, and issuing subcontracts before he has an executed and signed contract in his possession. In such urgency, it is common practice for the owner to authorise the start of work by a "letter of intent", or "letter contract". This letter is prepared for obtaining the signatures of both the parties and states their intent to enter into a suitable construction contract at a later date. After the letter is signed, it is binding on both the parties and provides the contractor with sufficient authority to proceed with the construction in the interim period before the contract is formally executed. This interim authorisation includes clear information how costs are to be settled in case the formal contract is never executed and will often limit the contractor to certain procurement and construction activities. Before the document is signed, it is in the interest of the contractor to have it examined by his lawyer.

### SAQ 11

What is the purpose of a letter of intent ?

## 12.13 FORMS

Bidders are required to complete certain forms while they submit a tender. Some sample forms are included in the Appendices here with the following details, but any similar format is also acceptable.

Appendix I	:	Bid Form
Appendix II	:	Form for Bid Security (Bank Guarantee)
Appendix III	:	Form for Bid Security (Bond)

### Activity

Go to some nearby project and collect from the contract the "technical specifications" for placing reinforcement.

## 12.14 SUMMARY

In this unit, you learnt about the procedure to be followed in entering into a contract and the various documents to be signed by both the parties and the bonds to be executed by the contractor to protect the owner from damages in the event, the contractor fails to complete the project. How is a tender invited for constructing a project and what instructions are given to the bidders have been explained. To obtain contracts that are free from complications arising later due to the inadequacy of the contractor the need to pre-qualify the contractors has been discussed. What are the general and special conditions of contract to be included in the contract documents and the technical specifications that should be followed during the execution of the work have been discussed in this unit.

## 12.15 ANSWERS TO SAQs

Refer the relevant preceding text in the unit or other useful books on the topics listed in the section "Further Reading" given at the end of the block to get the answers of the self-assessment questions.

**FORM OF BID**

(Note : The form forms part of the bid. Bidders are required to fill up all the blank spaces in the Form of Bid and Appendix).

(NAME OF CONTRACT)

TO : (Name and Address of the Employer \_\_\_\_\_)

DESCRIPTION OF WORKS : (\_\_\_\_\_)

Sir

- (1) Having examined the Drawings, Conditions of Contract, Specification and Bill of Quantities for the execution of the above-named Works, we, the undersigned, offer to execute, complete and maintain the whole of the said Works in conformity with the said Drawings, Conditions of Contract, Specification and Bill of Quantities for the sum of [Rupees (in figures and words)] or such other sum as may be ascertained in accordance with the said Conditions.
- (2) We undertake, if our Bid is accepted to commence the Works within [ ] days of receipt of the Engineer's order to commence, and to complete and deliver the whole of the Works comprised in the Contract within [ ] days calculated from the last day of the aforesaid period in which the Works are to be commenced.
- (3) If our Bid is accepted we will furnish a security in the form of a bank guarantee (to be approved by you) to be jointly and severally bound with us in an amount of [ ] per cent of the above named sum in accordance with the Conditions of Contract or a performance bond in an amount of [ ] per cent of the above names sum in accordance with the Conditions of Contract.
- (4) We agree to abide by this Bid for the period [ ] days from the date of Bid opening prescribed in Clause [ ] of the Instructions to Bidders, and it shall remain binding upon us and may be accepted at any time before the expiration of that period.
- (5) Unless and until an Agreement is prepared and executed, this Bid, together with your written acceptance thereof, shall constitute a binding Contract between us.
- (6) We understand that you are not bound to accept the lowest or any Bid you may receive.

**ANNEXURE TO FORM OF BID**

	Conditions of Contract Clause
Amount of Performance Security	*
(a) Bank Guarantee	( )
(b) Bond	( )
Minimum amount of Third party Insurance	* ( )
Period of commencement, from Engineer's order to commence	* ( ) days
Time for completion	* ( ) days
Amount of liquidated damages	* ( ) /day
Period of Maintenance	* ( ) days
Percentage for adjustment of Provisional Sums	* ( ) %
Percent of Retention	* ( ) %
Limit of Retention Money	* ( )
Minimum Amount of Interim Certificates	* ( )
Time within which payment to be made after Certificate	* ( ) days

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_.

Signature \_\_\_\_\_ in the capacity of \_\_\_\_\_ duly authorises to sign Bid for and on behalf of \_\_\_\_\_ (in block capitals).

Name of Witness \_\_\_\_\_ Address \_\_\_\_\_

Signature \_\_\_\_\_



**FORM OF BID SECURITY  
(BANK GUARANTEE)**

(Note : The Bidder may complete either this form of Bank Guarantee or a form of Bond or provide other acceptable security.)

WHEREAS, [Name of Bidder] \_\_\_\_\_ (hereinafter called "the Bidder") has submitted his bid [Date] \_\_\_\_\_ for the construction of (Name of Contract) (hereinafter called "the Bid").

KNOW ALL MEN by these presents that We [Name of bank] \_\_\_\_\_ of [Name of Country] \_\_\_\_\_ having our registered office at \_\_\_\_\_ (hereinafter called "the Bank") are bound unto (Name of Employer) (hereinafter called "the Employer") in the sum of [\_\_\_\_\_] for which payment well and truly to be made to the said Employer the Bank binds himself, his successors and assigns by these presents.

SEALED with the Common Seal of the said bank this \_\_\_\_ day of \_\_\_\_ 20\_\_.

THE CONDITIONS of this obligation are :

- (i) If the Bidder withdraws his Bid during the period of bid validity specified in the Form of Bid; or
- (ii) If the Bidder having been notified of the acceptance of his Bid by the Employer during period of bid validity;
  - (a) fails or refuses to execute the Form of Agreement in accordance with the Instructions to Bidders, if required; or
  - (b) fails or refuses to furnish the Performance Security, in accordance with the Instructions to Bidders,

We undertake to pay to the Employer up to the above amount upon receipt of his first written demand, without the Employer having to substantiate his demand, provided that in his demand the Employer will note that the amount claimed by him is due to him owing to the occurrence of one or both of the two conditions, specifying the occurred condition or conditions.

This Guarantee will remain in force up to and including the date [ ] days after the closing date for submission of bids as stated in the Invitation to Bid or as extended by you at any time prior to this date, notice of which extension to the Bank being hereby waived, and any demand in respect thereof should reach the Bank not later than the above date.

DATE \_\_\_\_\_ SIGNATURE OF THE BANK \_\_\_\_\_

WITNESS \_\_\_\_\_ SEAL \_\_\_\_\_

\_\_\_\_\_  
(Signature, Name and Address)

**FORM OF BID SECURITY  
(BOND)**

(Note : The Bidder may complete either this form of Bond or a form of Bank Guarantee or provide other acceptable security.)

BOND NO. \_\_\_\_\_ DATE BOND EXECUTED \_\_\_\_\_  
By this Bond We [Name of Bidder] \_\_\_\_\_ (hereinafter called "the Principal") as Principal and [Name of Surety] \_\_\_\_\_ of the country of [Name of Country of Surety] \_\_\_\_\_, authorised to transact business in the country of [Name of Country of Employer] \_\_\_\_\_ (hereinafter called "the Surety") are held and firmly bound unto (Name of Employer) (hereinafter called "the Employer") as Oblige, in the sum of [\_\_\_\_\_], for the payment of which sum, well and truly to be made, we, the said Principal and Surety bind ourselves, our successors and assigns, jointly and severally, firmly by these presents.

SEALED with our seals and dated this \_\_\_\_ day of \_\_\_\_ 20\_\_.

WHEREAS, the Principal has submitted a written Bid to the Employer dated the \_\_\_\_ day of \_\_\_\_ 20\_\_, for the construction of [name of Contract] \_\_\_\_\_ (hereinafter called the "Bid").

Now, therefore, the conditions of this obligation are :

- (i) If the Principal withdraws his Bid during the period of bid validity specified in the Form of Bid; or
- (ii) If the Principal, having been notified of the acceptance of his Bid by the Employer during the period of bid validity;
  - (a) fails or refuses to execute the Form of Agreement in accordance with the Instructions to Bidders, if required; or
  - (b) fails or refuses to furnish the Performance Security in accordance with the Instructions to Bidders, if required,

then this obligation shall remain in full force and effect, otherwise it shall be null and void.

Provided however, that the Surety shall not be :

- (i) liable for a greater sum than the specified penalty of this bond, nor
- (ii) liable for a greater sum than the difference between the amount of the said Principal's Bid and the amount of the Bid that is accepted by the Employer.

The Surety executing this instrument hereby agrees that its obligation will remain in force up to and including the date [\_\_\_\_\_] days after the closing date for submission of Bids as stated in the Invitation to Bid or extended by the Employer at any time prior to this date, notice of which extension(s) to the Surety being hereby waived.

PRINCIPAL \_\_\_\_\_ SURETY \_\_\_\_\_

SIGNATURE(S) \_\_\_\_\_ SIGNATURE(S) \_\_\_\_\_

NAME(S) AND TITLE(S) \_\_\_\_\_ NAME(S) \_\_\_\_\_

\_\_\_\_\_ SEAL \_\_\_\_\_