

Setting yourself up to write a tender



writing Successful **TENDERS**

includes:
**Small Business
Case Studies**

checklist - starting a small business

PLUS

- Legal status and licensing requirements
- Calculating costs of running a small business
- Employee or Contractor - what's the difference?
- Business Resources - who can help?

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writing Successful TENDERS

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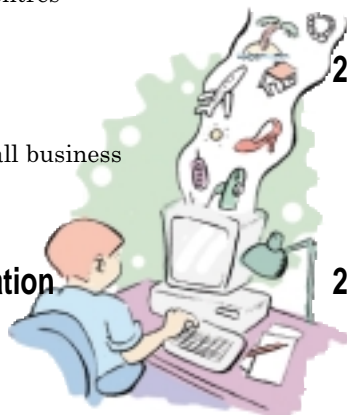
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Background information

Who is this book for?

Many people in Australia tender for work. Some give verbal quotes for work being done around the neighbourhood. Others have to go through a formal process. This book is for people who have to tender for work, by producing written tenders or quotes.

For many people, filling in tender documents and signing contracts is much more difficult than doing the actual work.

We hope this book will help. There are suggestions about where to go for help, how to deal with tender forms, and stories from people who have been successful with tendering. We also talk to people on the other side of the desk about what they are looking for when they look at tenders.

No matter how good a writer or a tender writer you are, it is unlikely that you will be successful each time you write a submission. No one is. If a particular submission isn't successful, treat it as a learning opportunity. If it's a public tender, ring the person whose names appears on the advertisement and ask for feedback on your submission. The more detail you can get, the more changes you can make next time.

We look at the steps in writing tenders:

- * Setting yourself up to write a tender.
- * Deciding whether to tender.
- * The tender documents.
- * Calculations.

We also look at the factors involved in evaluating tenders. The final section contains information about setting yourself up as a small business.

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Setting yourself up to write a tender

USE WHATEVER HELP YOU CAN GET - RIGHT FROM THE START

Who can help?

- Try to find out from the organisation what they are looking for.
- Draw on the support of family and friends.
- Use government resources.
- Consider 'buying' help. If it means the difference between winning the tender and having the work, or missing out, it might be worth the cost.
- Consider a training program.

The organisation putting out the tender

Many of the organisations putting out tenders run briefing sessions or 'walk arounds'. It's well worthwhile attending those to get a good idea of the

work to be done, what the organisation is looking for, and the competition.

Whenever we have a tender or an auction I always have a briefing session before hand. We have auctions in this room here, an auction or a tender, it's the same sort of thing, but an auction is

instant and a tender it's all written down there, in an auction there's less words on paper but I explain it. I find it better that way, if I can explain to people and answer their questions instantly they can come to grips with it. (John Clark, CALM, WA, interviewed

by Maureen Hague)

Members of family or local networks

Many small businesses are family teams' with one member of the team doing the work that has been contracted and others attending to the paperwork. Filling in tenders can also be family business with one person describing the work and doing calculations and someone else writing it down.

Government funded agencies or community organisations

All states and territories have Business Education Centres which provide a wide range of services for people starting out as independent contractors, or starting their own businesses. They can direct you to locals for support, and to lawyers and accountants who offer services to people starting out in business. They also run workshops in setting up businesses and contracting.

There are contact details for support agencies listed in the Resources section (page 26).

The NRMA or similar motoring organisations might be able to help with figures to make calculations about vehicles, such as operating costs or depreciation.

Legal advice

Often, contracts are written in legal jargon which only a lawyer can understand. It is easy to become confused with overwhelming legal jargon and processes, even more so if you are new to the world of tendering. Setting up a contracting business also brings contact with legal processes.

You should get legal advice at critical points:

- Establishing the business.
- Before signing a contract to begin work, especially if it's the first time you have been required to sign a contract with the particular organisation.
- Any time the contract contains material which you don't understand.
- It may be possible to get legal support through a community legal

service, trade union, or neighbourhood centre.

Accountant

An accountant can advise on setting up a business, record keeping, taxes and charges, and cost minimisation such as the advantages of leasing equipment over buying. An accountant might also be able to advise on ways of financing the business or setting up loans to see you through the initial stages of business. Finally, an accountant should be able to advise you about how to arrange your business to take advantage of the taxation deductions that apply to businesses.



Training

Many community houses, centres of adult education, and TAFE colleges offer training in writing tender submissions, starting out in business and managing record keeping. These are usually short courses for adults who need to pick up some skills for use straight away.

The New Enterprise Incentive Scheme (NEIS)

This Commonwealth Government scheme, assists people to establish viable new small businesses. To be eligible for the program you have to be unemployed. NEIS offers a comprehensive package of assistance

including:

- small business management and skills training (including assistance with the development of a business plan);
- income support for up to twelve months; and
- on-going support, including mentor support, during the first year of business operation.

More information about NEIS is available from Centrelink offices.

Accredited courses on managing a small business for particular industries.

For example, Wodonga Institute of TAFE runs a course in Small Business Management (Transport & Distribution Industry). This course is useful for family businesses, such as small trucking companies, where one partner does the work and the other partner does the paperwork. Such courses can be done at the college or at home with the support of a college tutor.

If you have problems with paperwork generally and you think that you would benefit from improving your workplace writing and communication skills overall, there are classes available for this. You can find out about classes or possibly having a one-on-one tutor by calling 1300 6555 06. These are government funded classes so there is no charge or only a small charge for this service.

Information on the Internet

There are a number of internet sites which are of benefit to those starting out in business. These are in the Resources section (page 27).

Interpreters

(Name withheld), a refugee from the Yugoslavian wars desperately wanted a fire wood contract. A tender was happening. He got hold of someone as an interpreter, this interpreter kept in touch with us on his behalf and when the opportunity came up, this lady came in and got the document, made sure she understood what it was all about. This fellow sat next to her and we conversed through this lady and they managed to understand what was required, completed the tender documentation, and then duly won a contract. (JC)

What is the difference between being a contractor

The difference between these two roles can seem pretty murky, especially when the employer, workplace and duties remain substantially the same. This is often the case, for example, when previously public sector work is tendered out. The difference is a legal one and relates to the responsibilities under the law of both parties.

	Employee	Independent contractor
<i>How is the work performed?</i>	An employee is normally engaged to do work on a continuing basis and at the direction of the employer.	The agreement or contract will require the performance of the work or specific jobs.
<i>Where is the work performed?</i>	The work is normally performed at one of the places of business of the company or wherever the company otherwise directs.	The work is normally performed at a place identified in the contract or agreement or as otherwise agreed by the parties.
<i>Who provides the plant, equipment and material?</i>	Plant and equipment is normally provided by the employer, although an employee may provide certain hand tools. An employer usually provides materials necessary for the performance of work by the employee. It would not be usual for an employee to incur significant expenditure on materials, plant or equipment without reimbursement by the employer.	The agreement or contract will specify who is required to provide the plant and equipment but it is usual for the independent contractor to supply the necessary equipment to enable him/her to carry out the work. The contract may be for the supply of labour only or both labour and materials.
<i>Who provides the floor space, power, telephone etc?</i>	These are not normally provided by the employee. An employee may in some circumstances, provide a telephone facility for contact after normal working hours, but in this case, the employer may reimburse some or all of the costs.	The contractor is responsible, in most cases, for the supply of floor space, the cost of power and telephone services and other like matters.
<i>Who is responsible for exercising control over the manner in which the work is to be performed?</i>	An employer will normally direct, or have a right to direct, the manner in which the work is to be performed; and the employee is obliged to obey the reasonable directions of the employer.	An independent contractor normally has freedom in the way the work is performed subject to the requirements in the contract agreement or specifications.

and an employee?

This list is provided to assist those moving from being employees to becoming independent contractors. Note the cost implications of providing plant and equipment, materials, cost of power and telephones. Independent contractors who employ labour to complete contracts should also be aware of the legal and financial responsibilities of employers.

	Employee	Independent contractor
<i>Does the contract or agreement relate to a specified period within which a job is performed or is it of continuing duration?</i>	Work is normally performed on a continuous basis unless a fixed term contract is agreed upon, or if the employment is sporadic. It is to be done at times convenient to the employer.	The agreement or contract would specify the work to be performed and the time within which it is to be completed.
<i>What is the arrangement with respect to leave of absence from work?</i>	This is normally at the discretion of the employer but will be subject also to the employee's entitlement under an award, statute, or enterprise agreement.	Leave of absence does not apply to independent contractors
<i>Are there any payment entitlements over and above those relating to the work performed?</i>	An employee may be entitled to payment for leave and holidays as prescribed by provisions of the relevant award, statute or by a contract of service, if one exists. Superannuation payments may apply.	An independent contractor is not entitled to payment for leave or holidays.
<i>Who has the responsibility for losses occasioned by poor workmanship or negligence?</i>	These are the responsibility of employer. The employee may be disciplined for poor workmanship or negligence at the discretion of the employer because the employee has a fundamental obligation to exercise due skill and care.	An independent contractor is responsible and has to bear any financial loss for poor workmanship or negligence. He/she is responsible for the reasonable performance of the work specified in the agreement.



Legal status & licensing requirements

You will need to decide whether you plan to operate as a sole trader, a partnership, a proprietary company or a trading trust. Each has different advantages. An accountant is possibly the best person to discuss which most suits your situation.

Most of the big contracting companies like Transfield or Australian government departments will only contract work out to companies with limited liability. This is their way of protecting themselves in the event of any legal action. Legal responsibility is passed on to the contractor. Other organisations such as Australia Post prefer to work with individuals.

disability insurance) in respect of himself/herself and any employee

- have OH&S systems in place.
- keep books, receipts, and records where expenditure is outlaid for the work to be performed. Evidence may have to be produced to the company before the independent contractor is reimbursed for such expenditure.

The company will pay the independent contractor the amount agreed on the contract, and payment will be made upon completion of the work or by appropriate progress payments as the case may be.

What about other licensing requirements?

Registering your business name is not enough in itself if you are legally required to have a licence or permit to operate. This will depend on the nature of the business.

If your trade or business requires a licence from any authority then you should contact the Business Licence Information Service, the relevant union, or a Business Education Centre (see page 26).

It is your responsibility as contractor to have OH&S systems in place

Your responsibilities as a contractor

Usually these are spelled out in great detail in a tender document. On the whole, the contractor or sub-contractor has to agree to:

- supply the necessary equipment, tools and materials.
- pay all government taxes, including license fees.
- take out independently the necessary insurance cover (which may include Workcover and sickness, health or



Deciding whether to tender



You know the business and know what is expected

You are in an excellent position to tender when you are tendering for a job you have previously been employed to do. You know what is involved in the work itself, and will be able to use that knowledge to calculate for routine, day to day performance, and to allow for problems which may arise. You know what processes and materials are required, who the best suppliers are, the length of time it takes to complete tasks satisfactorily, possible short-cuts, and useful contacts. While the financial and legal conditions change when becoming a contractor, and you may need to develop additional skills such as management skills, the work itself usually doesn't change.

Before you start to write any tender documentation, it is a good idea to identify skills you have. Ask yourself questions such as:

- How does your background/business experience help you in this business?
- What are your weaknesses and how can you compensate for them? Free services mentioned earlier? Is training an option at this stage? Will you have to sub-contract or pay people to assist? What skills do you need them to have? What are their duties? What will you pay?
- Will you need to buy in financial or legal expertise?

In the tender documentation or in a covering letter you will have the opportunity to say that you are experienced at doing the work. You can do this by demonstrating that you know the tasks involved, quoting numbers of years past experience in doing the job, and giving names of previous employers or work contacts as referees. If you are going to include people with particular skills and expe-

rience as part of your tender you can provide that information to strengthen your application.

Factors to consider when determining if it is worth tendering

Costs

You will have to consider how to cost the tender. Contractors fail or work for nothing if they don't built all costs into their price, don't allow enough for their own wages, or reduce their charges too much, so they lose money on the deal. There are three key areas to be included in any costing:

- Calculating your rate of pay. This should be set at a level at least equal

Avoid tenders where expectations of the tenderer are unrealistic, or where being successful would require lowering charges too much.

to that available to you as an employee.

- Time factors must take into account the time taken to do all aspects of the work, not just time on the job.
- Costs which contractors have to bear. This includes payroll costs, insurance, taxes, materials, interest on loans, lease of equipment, rent, labour costs, work-related vehicle costs.

It is important to calculate as closely as possible the actual cost of doing the work.

Two related areas for consideration are, firstly, a margin for profit, and secondly, a pricing strategy linked to your competitiveness.

Margins

Some tender documents might ask you to identify a profit margin. Generally speaking, it is not a good strategy to reveal a profit margin in a tender document. One of the criteria for awarding a tender is usually value for money and if you have been explicit about a profit then obviously you could

do the job more cheaply. It is far better to make sure that all costs, including labour costs, are calculated carefully and that any margins are included in the overall costs.

Pricing Strategy

Factors which might affect your price calculations are:

- whether there is strong competition;
- whether there are alternatives to what you are proposing; and
- existing goodwill between yourself and the organisation putting out the tender.

Your pricing strategy is a marketing technique you can use to improve your overall competitiveness. If you can, get a feel for the pricing strategy your

competitors are using. That way you can determine if your prices are

in line with competitors in your market area and if they are in line with industry averages.

Some pricing strategies are:

- pricing below competition to get the business. This is done in the hope that there will be long-term business possible and that the price can be re-negotiated upwards at a later date.
- pricing above competition. 'Quality costs more'.
- overhead costs only. This is also known as 'cost price'. If you have an urgent need to meet overhead costs, you might decide to not include the cost of your labour and to lower costs on a particular job. This is not a sound long term policy, but might be useful on occasion.

The key to success is to constantly monitor prices and operating costs to ensure survival. Avoid tenders where expectations of the tenderer are unrealistic, or where competition is so strong that to be successful would require lowering charges too much.

types of tenders



Expression of Interest

This does not require the full submission of a public tender immediately, but is often the first part of a two part process. These can seem more difficult to apply for than many tender documents because they do not usually come with a questionnaire or list of questions which tenders often have.

What people looking at the Expressions of Interest need to know is:

- Who you are: name of company/ business/ contact person and full contact details;
- Relevant experience of people doing the work, including number of years. (If you are sub-contracting, the skills and experience of subcontractors you would use);
- Names and contact details of referees from previous jobs, up to three;
- Licenses held where required, insurance coverage;
- Estimate of costs (but not tied down at this point); and
- Proposed service, highlighting anything special.

See example opposite: *KLM Cleaning Services, Expressions of Interest*.

Public tender

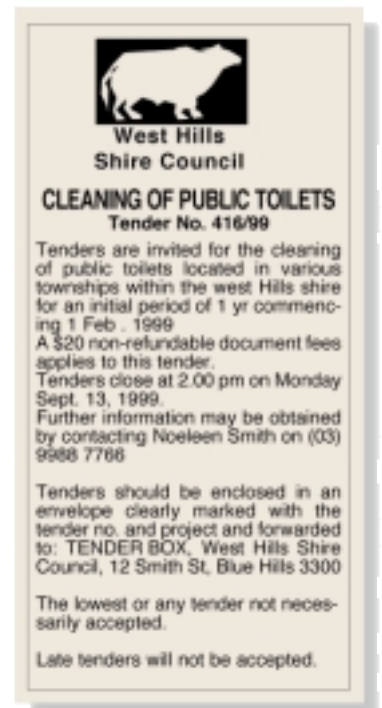
Local Government and most state and commonwealth government departments have to go to public tender once the cost of the tender is over a certain amount. In this case they advertise in daily newspapers, mostly on a Saturday. Anyone interested in the tender needs to get the full set of tender documents. The advertisement usually makes it clear who the contact is, and if there is a charge for the documents.

Information about how and when the tender is to be lodged is usually in the advertisement, on the front section of the tender documentation, or in the covering letter. Tenders must be lodged according to these instructions, or the tender could be ruled out of consideration.

The full set of tender documents usually contains:

- Information about the tender, including services required and definitions, how and when the tender is to be lodged, and the selection criteria for the tender.
- Specification of services: what, where, when, how and by whom the service is to be performed. Penalties for breaches of contract are usually written in to the contract also.
- Terms of payment, including any variation arrangements, and GST arrangements.
- A sample contract
- Any variation to contract
- A summary form to be completed. This provides guidance as to the sort of information that the organisation is looking for and serves as a way of comparing bids.

For example, in a Local Government tender you might have the following sections, or Schedules, in the tender form. These questions or *Key Selection Criteria* (see page over) have to be addressed in an obvious way. Not all tenders will have all these schedules or have them in this order, but these are typical of the information being sought:



CASE STUDY

CLEANING SERVICES

EXPRESSION OF INTEREST

CONTACT DETAILS

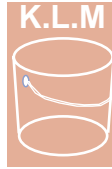
Trading Name / Business Name: *KLM Cleaning*

ACN Number (or other identifier):

Address:

Phone no: / Fax no: / Mobile no:

Full name of contact person:



- **Statement of skills, work-related goals.**

(Statement about the length of time the company / person has been involved in similar work and names of previous organisations have worked for.)

KLM Cleaning has been involved in cleaning schools for years and has established a reputation for thorough, spotless cleaning. Our clients include (list)..... Our staff are chosen on the basis of their many years experience, knowledge of cleaning, reliability, and courtesy. All have provided character references.

- **Referees**

The following have agreed to provide a reference:

Name, Position in company, Company, Address, Phone number

- **Insurance**

Name relevant licenses and Insurance Policies (name of insurance company, value of policy, name of broker)

- **Estimate of costs.**

Based on work of a similar nature, the costs would be approx. This assumes a school of similar size and the following

- **Schedule of duties:**

Daily sweeping of all floors of classrooms, staffrooms, offices, corridors.

Daily vacuuming of all carpeted areas

Daily cleaning of all toilet and washroom areas

Daily removal of rubbish from bins and other receptacles

Daily cleaning of sick bay

On request, changing of light bulbs and other electrical fittings

Rotational cleaning of all floors

On demand' cleaning of spillages, sink overflows,

Please note that this does not include cleaning of staff crockery and cutlery, kitchen areas, plant room and electrical plant.

KLM would provide a cleaning schedule to insure that all areas are appropriately cleaned on a rotational and 'as needed' basis. The cleaning agents we use are environmentally friendly, work as a cleaner, disinfectant, sanitiser and deodoriser in one application and have a fresh pine aroma. We also undertake to work within the hours specified by school council, most usually outside the hours of the school day.

Because our staff are experienced in cleaning primary schools they are familiar with need to cause as little disturbance as possible to materials, files, and teacher and student work.

Our cleaners understand the restrictions required when working in a school and undertake to not smoke or act in an aggressive way while on school property. They will wear identity badges at all times and understand that while on school premises they fall under the control of the principal and School Council.



Key Selection Criteria

Tender Documentation	Council	Tenderer
<i>Coversheet to summarise tenderer's contact details, and charge price. This is a summary of the offer. It is not a contract.</i>	<ul style="list-style-type: none"> states specified duties. seeks contact details <p>The council summarises the service it wants, eg, number of bins to be collected from particular area, number of toilets cleaned.</p>	<ul style="list-style-type: none"> provides full contact details provides overall costing acknowledges acceptance of terms of the contract signs and seals tender bid
<i>Questionnaire to give tenderer opportunity to establish ability to complete work satisfactorily</i>	<ul style="list-style-type: none"> clarifies legal status of tenderer previous relevant experience skills of people to be performing work plant and equipment to be used referees, including financial 	<ul style="list-style-type: none"> provides answers to all questions. uses opportunity to 'sell' expertise.
<i>OH&S systems questionnaire</i>	<ul style="list-style-type: none"> needs to know work will be performed in a safe environment and that tenderer accepts responsibility to provide a safe workplace. needs to know that there is adequate insurance in place 	<ul style="list-style-type: none"> completes questionnaire indicating safety systems in place provides documentation of OH&S certification and insurance policies
<i>Stat Dec (Statutory Declaration)</i>	<ul style="list-style-type: none"> needs the tenderer to sign that the process has been fair from his / her point of view, that there has been no cheating or collusion. 	<ul style="list-style-type: none"> signs schedule has signature witnessed by appropriate person.
<i>Statement of conformance.</i>	<ul style="list-style-type: none"> needs to know if there are any exceptions in your offer to the council, any duties that you don't want included in the tender and that you haven't built in to your price. provides information about scope of offer 	<ul style="list-style-type: none"> provides information about scope of offer
<i>Receipt of Addenda</i>	<ul style="list-style-type: none"> needs to know that all tenderers have seen all the documents included in the tender. If there have been any changes council needs to know that all tenderers have seen these. <p>This is in case there is any query about the tender process later on. Council needs to be able to show that everyone has had fair access to information.</p>	<ul style="list-style-type: none"> lists all addenda by number and title and date received. signs that these have been received.

CASE STUDY

child care centre



The company Pam worked for went out of business, and Pam was faced with a period of unemployment. Looking through her local newspaper, Pam was surprised to find an advertisement for cleaning work at the council childcare centre. Rather than wanting to employ someone directly, the childcare centre was wanting to tender the work out. Pam was confident she could do the job, as her last job had been a cleaning job, and having raised a family, she knew she could handle the child care environment. What she wasn't sure of was what a tender meant, what the difference was between working as an employee and working on a tender, and how to apply for a tender.



There were no other suitable jobs advertised that day, so Pam decided to have a think about the childcare cleaning tender. She rang Marjorie, the person whose contact details were included in the advertisement.

In response to questions from Pam, Marjorie explained why the childcare centre was tendering out the work, rather

than employing someone directly. This was local government policy. Marjorie also explained the competitive nature of the tender and that selection was based on 'key selection criteria' which were set out in the tender documents.

Pam asked that she be sent the documents. When the documents arrived, Pam was overwhelmed by how much paperwork there seemed to be. The documents included the key selection criteria which Marjorie had mentioned, information about when, where and how the tender was to be handed in (lodgement details) and a series of questions which had to be completed. Questions covered all possibilities: the types of cleaning products that Pam would use, her experience in cleaning and the names of people who could give Pam a reference. Pam also had to say what she would charge by the hour to do the job. This figure was to include her time, the cost of all materials, insurance, Workcover, in short, all relevant costs.

Pam read all the documentation carefully, and with the aid of a friend who had completed a similar application, finally completed and delivered the documents to the Council office. She was careful to make sure the documents were placed in the tender box as instructed in the lodgement details. Pam wondered how long it would be until she heard. If she was successful she would have work for three years, the length of time the tender was in operation.

One week later, Pam found an envelope with the Local Council logo on the corner in her letterbox. With trembling fingers she opened the letter. There on Council letterhead was a short note. It appeared that her application had been handed in one day late, and hence was not able to be considered.

Pam felt ill, all that work wasted. She looked in her diary and realised that she had indeed misread the date, and had been one day late. She rang Marjorie but Marjorie said she was unable to help. The date had been clear. The tender had closed. Poor Pam.

the quiet achiever

There was a bid at a lower cost than the in-house bid, but people on the Tender Assessment Panel decided to reject the bid on the grounds that quality would be compromised at the price.

Guy Chatain, Manager, Food Services, and Lisa Kan, Deputy Manager, Food Services, Austin Hospital, successfully lead an in-house team to win the catering contract with the Austin Hospital as part of a competitive tendering process. The team was successful despite competition from a number of the largest catering companies operating in the Health Services area.

- Others believed their chances of being successful were slight given the opposition.
- Union members were not happy with the privatisation of the public service in general, and the possible loss of conditions by members.
- The specifications appeared to downgrade food quality as compared to cost. Many Food Services workers were reluctant to be part of a process in which they might be pressured to sacrifice quality.



Consultants employed by the Austin Hospital recommended that two functions be out-sourced through a competitive tendering process. Hospital catering was one of these areas. The process was to be spread over eight months and involved two stages: Expressions of Interest, and a tender process open to bidders from the shortlist.

The first decision which had to be made by the existing staff was whether to be part of the tender process or not. This involved lots of frank talking and hard decision-making. There were a number of issues:

- Some people felt that they were potentially making themselves redundant.

Overall a significant number believed that they had the knowledge to win the tender and that many of the issues raised above could be worked through if they worked together. After much discussion, the decision was made to go ahead, and a team was formed to drive the project. At that point, all members of the team had to commit themselves to the team approach, collectively taking hard decisions about working conditions and salary scales, and agreeing to abide by the team's decisions about their own pay and conditions.

The hospital provided a team of consultants to assist bidders with the process. The consultants recommended a focus on cost-cutting in food quality areas and staffing, and a change in management roles.

The bid team rejected the advice in favour of putting in a level of staffing they knew from their own experience was required, maintaining conditions such as RDOs and penalty rates. Food quality would continue to meet the varied and stringent requirements of a hospital environment. They did agree that some procedures would need to be changed to match the specifications. All jobs were looked at to see where there was opportunity for better ways of operating. This is where the detailed knowledge the team had about the work, and the commitment to sharing information within the team, paid off.

The team submitted their bid and won the tender for three years. Morale within the Food Services team at the Austin Hospital couldn't be better. There is a new level of trust within the team as all commitments made in the process were honoured.

ers



This is what the tender team would advise others involved in a tender process:

- Remember your knowledge gives you advantages. You know what can be achieved.
- Know the contract specifications. Know them by heart! Interpret them to fit with your perceptions of the best way to achieve work goals.
- Change your mind set about the job. This is not the old job, it is a new job. See above. You need to think about the work in terms of the specifications.
- Seek advice if you don't have the necessary expertise in your team, particularly about legal and financial matters.
- If advice from consultants is provided as part of the process, weigh it against your knowledge of the work.
- Be realistic about time and money. 'Cheaper' doesn't always win. There was a bid at a lower cost than the in-house bid, but people on the Tender Assessment Panel decided to reject the bid on the grounds that quality would be compromised at the price. The real bottom-line is that the job has to be done satisfactorily according to the specifications. Don't put in a bid so low that it is impossible to get the work done.

Types of Tenders (cont.)

Selective tender / preferred contractors

In some cases, tenders are not advertised publicly, but the tender is sent to a small number of companies. This can happen for a number of reasons:

- The amount of money available is less than the amount above which the organisation is legally required to go to tender. For example, an organisation might only have to go to public tender for amounts above \$50,000.00.
- The number of people with the required expertise is small and known to the people putting out the tender. In this case, tendering might be seen as an unnecessary expense.
- The need may be urgent, and there may not be enough time to go through a lengthy process to select a tender.
- There has already been an Expression of Interest called to produce a shortlist of tenderers as a preliminary step.
- The tendering organisation has already established a list of preferred suppliers who meet their criteria.

Usually the format of the tender is much the same as for a public tender.

**Subcontractors
Pricing:
Bayshore City
Council Contract
No. 123679
Infrastructure Maintenance
Services**


BAYSHORE

Subcontractors are invited to submit prices in accordance with the Contract Documentation, for the following trades:

- Footpath, kerb and channel, vehicle crossovers, and drainage repairs
- Drainage Pit/Pipe and litter cleaning
- Roads and Bridges
- Linemarking services
- Street sweeping
- Weed Control

All prices must be faxed no later than 12 noon, Wednesday 25th January, 2000 to John Smith (9877 6655). Please phone 9988 7766 for further enquiries.

Tenders involving in-house bids

This is similar to other tender processes, except that the organisation calling for tenders is willing to look at an in-house bid. The group putting forward the in-house bid will have to compete with other bids from external organisations, and will have to demonstrate that they have the structures in place to be able to manage the work in a legally accountable way. They also have to be competitive in terms of costs.

reading the contract



Before submitting the coversheet or any document which says you will accept the job under the terms of the contract, you must study the contract carefully. Because a contract is legally binding once signed by all parties, it is worth considering getting legal advice at this time. Being tied into a contract if you can't do the work should be avoided at all costs.

Ask these questions:

- Are the specifications clearly spelled out in the terms of the agreement? Am I clear what the work is, and when, where, how and by whom it has to be done?
- Is it clear what the contractor has to provide by way of tools and equipment, insurance, safety information, and workplace documentation? Is it clear what the organisation tendering out will contribute?
- Does the contract provide for price variations and is this clearly spelled out?
- Does the contract require work to be performed by a specified person? Can you sub-contract? Are there any conditions being imposed on those arrangements? If the contractor sub-contracts work to another party it is usual to have a similar agreement covering the relevant areas of the contract, with the sub-contractor. This protects all parties.
- Who is responsible for scheduling the work?
- Is the timeframe for the operation of the contract clearly spelled out? Is it reasonable?
- What is the basis for payment for the work performed? What records have to be kept? Are invoices required to be submitted by the person performing the work?
- What provisions relate to termination of the contract or agreement between the parties?
- Does the contract provide the opportunity to profit from sound management in the performance of work? Are there incentive payments?
- Does the contract have any special conditions, possibly related to the nature of the work. These can include:
 - Confidentiality - generally bound not to disclose or discuss any confidential information obtained in course of performance of duties;
 - Security issues - contractor may have to ensure that all employees or sub-contractors have identity passes, locks & keys and accept responsibility for actions of employees eg smoking, drinking, doing drugs & personal grooming. Some contracts require that any person undertaking the contracted-out work has to have had police clearance;
 - Safety Issues - the equipment is safe and in good order, designated storage areas & containers are used for equipment. All parties wear Personal Protective Clothing if required; and/or
 - Contractor to bear costs of any damages to property.

Where there are up-front payments, contracts sometimes contain clause such as the following from the Mail Contract Tender from Australia Post:

The successful tenderer may be required to provide security for the due performance of the contract in a form satisfactory to Australia Post. This is usually a Contract Performance Bond entered into by the successful tenderer and the surety in a sum equal to 25% of the amount of the actual or estimated annual payments under the contract. The surety must be approved by Australia Post.

The Contract Performance Bond requires that the surety may be called upon to undertake the performance of the service should the Contractor for any reason fail to met the contractual obligations. The successful tenderer may be required to pay stamp duty on the contract. Check with the Officer-in - Charge.

This might sound worrying, but it needn't be. Talk to the Officer-in - Charge or the relevant person in the organization putting out the tender about whether this is applicable in your case.

what legislation has to be complied with?

Occupational Health and Safety is an important issue in Australian workplaces and this is reflected in the reference to OH&S systems in all tender documents. Contractors need to check out their responsibility to ensure a safe workplace and that safety systems are in place. This will vary depending on issues

such as where the work is located and who owns the equipment used. Contractors also need to check out their own responsibilities if they subcontract the work. Some organizations such as Local Government councils ask that any OH&S certificates held by the tenderer be included with the tender bid. These are supplied through programs such as Safetynet.

Ethical Employment and Sub-Contracting. All employers are subject to laws which try to prevent discrimination in the workforce. This is also part of any contracting or sub-contracting agreement. If there are concerns about possible exploitation or underpayment arrangements, companies will not be successful in a tender process. In tender documentation you will need to be open about the use of sub-contractors and other third parties wherever such disclosure could be relevant.

The tender evaluation process will check whether the tender:

- complies with relevant Commonwealth and State legislation in respect of conditions of employment, and all other matters, for all persons employed or utilised in the manufacture or supply process for all goods and services produced in Australia;
- complies with the requirements of the country in which such goods or services are produced (if overseas content is involved); and
- extends the principles of fair and proper treatment to third parties, including sub contractors, employees, or any other such individual or group involved in the manufacture, production or supply chain.



calculations



Labour costs

The formula used to determine chargeable labour costs is:

$$\text{per hour} = \frac{\text{Annual wage + on costs}}{\text{Number of productive hours p.a.}}$$

If you are calculating to cover your own income only, rather than sub-contractors or employees, you would calculate as follows:

- Your annual wage should be at a level at least equal to that available to you as an employee in the same job.
- On costs are generally calculated as a % of wage costs and include your compulsory superannuation and workers comp. The % of salary to pay into Workcover insurance depends on a number of factors such as how dangerous the job is, and whether the company has a good safety record. You will need to contact your state Workcover organisation to get the right % for your circumstance.

If your annual wage was previously \$48,000 and your on-costs are 8%. (Workcover says 1% plus compulsory super presently at 7%).

The calculation is

$$48,000 + (48,000 \times 8\%)$$
$$48,000 + (48,000 \div 100 \times 8)$$
$$48,000 + (3,840)$$
$$= \$51,840 \text{ p.a.}$$

Calculating number of productive hours

Total number of days in a year	365 days
Minus weekends (52x2)	-104 days
Minus Sick / Annual/ Public Holidays	-35 days
Average working days	= <u>226 days</u>
Number of working hours per year	
• Assuming an effective 7.5 hour working day 226 x 7.5	1695 hours
• Assuming an effective 7.0 hour working day 226 x 7.0	1582 hours

Labour costs per hour = $\frac{\text{Annual wage + on costs}}{\text{no. of productive hours p.a.}}$

$$= 51,840 \div 1695$$
$$= \$30.58 \text{ per hr.}$$

If you employ staff directly, you will need to do this calculation for each staff member in order to calculate your labour costs. (See Fixed Costs section).

Fixed costs

These are the business related costs you have to cover. These are the basic costs which don't change, whether you're working or not. They need to be calculated for a year and then divided by number of productive hours pa. To work these out you will need to check back on past bills and banking slips to get an estimate of costs. Keeping records of costs should help you make sure that the figures here are kept up to date as prices change.

Fixed costs per hour = $\frac{\text{Total fixed costs p.a.}}{\text{Number of productive hours p.a.}}$

FIXED COSTS		
Communication costs	\$	Phone rent, faxes, mobiles, email, computers, stationery, software. Incl. connection fees if establishing new business.
Equipment		Machinery or tools, costs, repairs, maintenance
Insurance:		The type of insurance cover you routinely need will depend on the nature of your work. You can find this sort of information in the contract.
• Property damage		
• Public risk		
• Personal indemnity		
• Disability		
• Theft/ fire		
• Workcover		
• Vehicle third party		
Interest on any loans		Incl. bank charges, credit card charges
Labour costs of employed staff		Incl. salary, on costs (See above), and allow for leave and leave loading (if payable).
Lease payments		Tools, machinery, space
Licenses and permits		Check with BEC.
Management / admin costs		Include calculation for time spent 'off the job' doing admin related tasks
Materials		Do you need a stockpile of materials available to begin work?
Professional fees		Include legals, accountant,
Registration of business		
Rent & power, water, gas		Office, garage, storage. Inc legal costs, stamp duty, rent bond, rent in advance.
Services		Cleaning, admin, payroll.
Supplies		Work related, and office, cleaning, etc.
Travel		

sample costs sheet

VEHICLE COST Sheet						
No. of Vehicles	Make and Type	Model	Year	Fuel	Km's travelled p.a. [a] all services [b] this service	
Cost Grouping	Item	Costs per Annum				
		All Purposes \$	c	This Service \$	c	
Vehicle Costs	Depreciation / Leasing					①
	Fuel @ per litre					②
	Other Vehicle Operating Costs					③
	(a) Tyres @ \$ each					
	[b] Tubes @ \$ each					
	[c] Parts					
	[d] Repairs Including services)					
	[e]i Vehicle Insurance					
	[f] Vehicle Registration					
	[g] Licence					
[h] Motor Organisation Fee						
[i] Other Recurring Vehicle Costs						
[j] Sub-Total Items [a] to [i]						
Labour (This Service Only)	Contractor	Weekly Hours	(x 52 =)	Annual Hours	Hourly Rate	④
	Contractor's Employee		(x =)			
	Total Labour Cost					
Other Costs	Other Costs for Service					⑤
Profit	Profit (if any)					⑥
Contract Price (items 1, 2, 3, 4, 5, & 6)						
Unit Rate (if applicable)						

Operating costs (cont.)

Having calculated your labour costs and your fixed costs per hour, you will need to calculate costs related to a particular job. If you need to employ someone to do the work you will need to calculate labour costs using the previous formula.

Operating costs per hour

$$= \frac{\text{Total operating costs per job}}{\text{No. of productive hrs to complete job}}$$

$$= \$ \text{_____ per hour}$$



OPERATING COSTS

	\$	
Communication costs	Only include costs relevant to a particular job, costs not covered as 'fixed' costs. <ul style="list-style-type: none"> • As relevant to particular job, eg cost of calls
	
	
	
	
Equipment	<ul style="list-style-type: none"> • Machinery or tools: repairs, maintenance • If you need to take out special insurance for a particular job include it here
Insurance:	.....
• Property damage	.....
• Public risk	.....
• Personal indemnity	.....
• Disability	<ul style="list-style-type: none"> • Wages and employment costs for specific job. • Tools, machinery, space. • Particular to job
• Theft/ fire	.....
• Workcover	.....
• Vehicle third party	.....
Labour costs	.....
Lease payments	<ul style="list-style-type: none"> • Include legals, accountant, • Cleaning, admin, payroll.
Materials	.....
	
Professional fees	.....
	
Services	<ul style="list-style-type: none"> • Work related, and office, cleaning, etc. • Need to allow for petrol
Supplies	.....
	
	
Travel costs	.....

The GST

THE GOODS AND SERVICES TAX AND YOUR TENDER

The GST will start on 1 July 2000. Businesses with an annual turnover of \$50 000 or more and non-profit organisations with an annual turnover of \$100 000 or more must register for GST. You can apply to register from November 1999 and you must register by 31 May 2000 to be part of the GST system by 1 July 2000. You can register for GST and other elements of the New Tax System when you register for an Australian Business Number.

You need to register for an Australian Business Number by 31 May 2000. You can register electronically through the Business Entry Point at www.business.gov.au or by mail or through your tax agent.

The GST will make a big difference to your costings as it has to be applied on items that you buy and sell, and services that you pay for and provide. GST will not be charged on wages and salaries.

Under the law you are not allowed to adjust the price under an existing contract unless the contract contains a provision allowing or requiring an adjustment of the price.

Some contracts do make provision for a review of costs around 1 July 2000 because of the GST. This has to be clearly written into the contract.

If a new contract is to go past 1 July 2000, you must make allowance for the GST in your costings before you sign a contract.

It is probably best to talk to an accountant about the GST, as each business is different, and because the specific impact of the GST on each business will vary.

CASE STUDY

WEB DEVELOPMENT PROPOSAL

Richard runs a small design business. One day he received a telephone call from a woman who introduced herself as Bernadette. She told him that she had looked at some of his web sites and was impressed by them. "You were recommended to me by a friend. Would you be interested in redesigning the site for our regional office?" she asked. "We have an existing web site we are not happy with," said Bernadette. Things had been a bit quiet for Richard so he was pleased to have been approached. A date was fixed for the two of them to meet.

Bernadette's work place was in a new office building. Richard felt vaguely nervous as he went up in the lift. He convinced himself that the butterflies in his stomach were because he was excited about the prospect of working for such an impressive organisation.

Within minutes of their meeting Bernadette set him at ease and invited him to log onto some of the web sites he had designed. He was proud of his work and enjoyed showing it to her. She appeared to understand where he was coming from with regard to web design. They had progressed quickly beyond the usual professional politeness and reached the stage where they were joking readily with each other.

"Now, let's look at our office web site and see what needs to be done," said

Bernadette. The page they were looking at on the screen was awful: the graphics were amateurish and the typeface was inappropriate to a modern corporate business.

Bernadette turned to Richard and said, "It's just tacky isn't it! That's why we want it redesigned."

Richard was pleased that their existing home page was so bad. It made his job that much easier. They browsed through the site together and Bernadette pointed out the help desk that clients would use as part of the company's new approach to customer service. The help desk was a database the clients could access using the web. She was concerned that the database interface should be as simple and user friendly as possible, and Richard offered some useful suggestions as to

how this might be achieved.

They finished discussing the changes that needed to be made and Richard asked, "Would you like me to put together some sort of proposal as to how I would approach the task?"

"Yes," answered Bernadette. "Actually I need to warn you that your proposal will be put before a committee. There is a selection process - there will be others invited to put forward their proposals as well as you."

Richard was a bit disappointed at this revelation. "Oh, I see," he said. He hadn't realised that there would be any competition, that this was in fact a tender situation. "Well," he smiled, "thanks for inviting me to come in,



Bernadette," said Richard. "You'll receive my proposal in the mail."

As he went down in the lift Richard was a bit miffed that he'd spent the best part of half a day coming into town to meet and discuss the job, and now he now had an additional full day's work ahead of him putting together a written tender - work for which he might not be paid. In addition he felt that part of the purpose of the meeting was for Bernadette to garner as much free information from him as she could. "Oh well, I think I've established a comfortable relationship with Bernadette even if she was just picking my brains. And, since whoever does the work on the web site will have to work fairly closely with her, I reckon I'd have to be as well placed as anyone to win the work."

Richard spent all of the next day preparing his proposal to redesign the web site. He included all the usual

items: his resumé, references, costings and a folio images of web sites he had designed for other clients. In addition he discussed at length how to change the overall look of the site to give it the 'clean' professional look it required as a modern corporation.

When he dropped the tender into the mail box he felt quite pleased with it and thought he had a good chance of getting the work.

A few weeks later Richard's phone rang. It was Bernadette ringing to let him know the web site committee had met. Unfortunately his tender was not selected.

Richard thought it was nice of Bernadette to ring him personally and told her so and added, "Was there anything in my proposal that was unsatisfactory?"

"Your tender offered the best approach to redesigning the graphics. One of the proposals however dealt very effectively with how they'd handle the database user interface and yours didn't seem to give this aspect of the work enough emphasis," she said.

"I didn't realise there were two parts to the job," spluttered Richard. He vaguely remembered discussing the database interface during the meeting and realised that he hardly touched on it in his written tender.

Later Richard thought about what had happened. Why had his proposal not succeeded? Primarily because it did not adequately deal with part of the work that was involved. He had not given sufficient weight to Bernadette's company's need to redesign the database user interface. How did this oversight come about? Had he taken notes? Obviously not.

At the time of his meeting with Bernadette, she had not developed effective selection criteria for the process - there was nothing on paper and Richard had not thought to ask for the selection criteria clearly set out in writing. Moreover Richard did not even use the telephone to seek clarification from Bernadette about her requirements before posting off his tender proposal.

Moral: Always ask for written selection criteria when preparing a written tender.

Evaluating tenders

Why are some tenders rejected immediately?

- All tender documents provide information about when (time and date) and how tenders are to be submitted. (Particular tender box? Plain envelope? Envelope supplied as part of the tender process? Number of copies?) If you don't follow these instructions, your submission could be ruled out before it is looked at.
- All Key Selection Criteria have to be responded to. This is essential. If this has not been done, your tender might be excluded at this point. Keep to the format suggested in the tender documents.

- Failure to complete all sections of the documents could lead to being ruled out at a later stage.

Factors for choosing/shortlisting

Evaluating tenders is complex, because there are so many factors to take into account. Full records of the decision-making process have to be kept if it is a public tender, and must show that all tenders received fair treatment.

One way this is done is by using a matrix which lists the important criteria on one side, and measures how good the particular tender is, on, for example, a five-point scale against

each criteria. An alternative is a checklist with space for additional comments. The criteria must refer to the specifications in the tender documents. The tender receiving the highest score is considered to be the most attractive offer.

Critical factors

- Value for money. This requires careful comparison of costs, benefits and alternatives. All matters which can be costed are to be included in the comparison.
- Comparison against the evaluation/selection criteria for professional or technical suitability and commercial standing.

EVALUATION CRITERIA 1. Compliance to Specifications <ul style="list-style-type: none"> • All key selection criteria addressed? • All sections of tender documentation completed? • Meets legal status requirements? Comments:	LEGAL REQUIREMENTS 4. Risk and Insurance <ul style="list-style-type: none"> • Public Liability insurance • Workcover • other Comments:
2. Capability <ul style="list-style-type: none"> • Experienced staff • Experience in the industry • Location • Equipment/ resources Comments:	5. Compliance to Conditions of Contract <ul style="list-style-type: none"> • agrees to the terms and conditions Comments:
3. Past Performance <ul style="list-style-type: none"> • Previous work • Previous experience • Referee's view Comments:	FINANCIAL 6. Costings <ul style="list-style-type: none"> • Tendered price • Price variations (through contract period) • Contingencies Comments:

starting a small business



Basic costs of operating business

Can you start on a small scale? Can you survive financially until the first payment?

Many people face financial difficulties when making the move from being employees to setting up their own contracts. Difficulties arise with start up costs and with having money to meet commitments until the first progress payment comes in. You may need to arrange a loan to see you through. Your accountant may be able to advise on the best source of loans that suit your needs. Business loans come in all shapes and sizes, and it is best to get independent advice from someone who knows your business, and is not tied into any particular bank of credit agency.

Use the checklist (overleaf) to calculate money required.

- Cross off any of the following you don't need, or can delay.
- Try to estimate the minimum you might need initially.

While this is initially a time-consuming task, the figures will prove useful later when working out fixed costs and operating costs in order to know what to charge in the tender.

In addition to money to start up the business, you will need to be able to cover yourself financially until the first payment on the contract comes through. This will vary depending on the terms of the contract but you might have to be able to cover yourself for up to three months. (see next page)

START UP DOLLARS NEEDED

	\$	
Advertising	.....	<i>Incl. signs, flyers, newspaper ads.</i>
Communication costs	.....	<i>Phone rent and calls, faxes, mobiles, email, computers, stationery, software. Inc connection fees.</i>
Equipment	.....	<i>Do you need to buy any machinery or tools?</i>
Installing fixtures and equipment	.....	<i>Setting up a work space.</i>
Insurance:	.....	<i>This will depend on work you will be doing. Specific requirements should be named in the contract. For example if you have to provide a vehicle, the contract should specify the extent of insurance required.</i>
• Property damage	.....
• Public risk	.....
• Personal indemnity	.....
• Disability	.....
• Theft/ fire	.....
• Workcover	.....
• Vehicle third party	.....
Lease payments	.....	<i>It may be better in terms of tax to lease tools, machinery, space. Talk to your accountant.</i>
Licenses and permits	.....	<i>This will depend on the nature of work. Check with BEC.</i>
Materials	.....	<i>Do you need a stockpile of materials available to begin work?</i>
Petty Cash	.....
Professional fees	.....	<i>Include legals, accountant,</i>
Registration of business	.....
Rent	.....	<i>Office, garage, storage. Inc legal costs, stamp duty, rent bond, rent in advance.</i>
Services	.....	<i>Cleaning, book keeping.</i>
Supplies	.....	<i>Work related, and office, cleaning, etc.</i>
Travel costs	.....	<i>Allow for petrol, depreciation, registration if work involves using own vehicle.</i>
	.....	<i>Plus on costs, plus entitlements</i>
Wages	.....
Unanticipated expenses	.....
TOTAL	.....	<i>Total amount of costs before opening</i>

Owner's Checklist for Starting a New Business

- ☐ assess your strengths and weaknesses
 - ☐ establish business and personal goals
 - ☐ assess your financial resources
 - ☐ identify the financial risks
 - ☐ determine the start-up costs
 - ☐ decide on your business location
 - ☐ identify your customers
 - ☐ identify your competitors
 - ☐ develop a marketing plan
-
- ☐ select a lawyer
 - ☐ choose an entity (proprietorship, partnership, or corporation, for example)
 - ☐ create your business (register your name, incorporate the business, etc.)
 - ☐ select an accountant
 - ☐ prepare a business plan
 - ☐ get financing if necessary
 - ☐ establish a line of credit
 - ☐ select an insurance agent
 - ☐ obtain business insurance

- ☐ obtain a license or permit (if applicable)
- ☐ line up suppliers (if applicable)
- ☐ organise materials and equipment
- ☐ obtain a lease
- ☐ send off 'paperwork' (tax forms, work cover, insurance)

REPEATING MONTHLY EXPENSES

	\$	
Advertising	.....
Bank service charges	.....
Credit card fees	.....
Delivery charges	.....
Dues and subscriptions	.....
Freight	.....
Health insurance	.....
Insurance	.....	Not including the amount included above
Interest	.....
Lease payments	.....	Not including the amount included above
Loan payments	.....	Principal and interest payments
Materials	.....
Motor vehicle expenses	.....
Office expenses	.....
Payroll other than owner or manager	.....
Postage, phone, stationery	.....
Professional fees	.....
Rent	.....	Not including the amount included above
Repairs and maintenance	.....
Salary of owner or manager	.....
Supplies	.....
Tax, inc sales, group & payroll	.....	Include only if applicable first 3 months
Telephone	.....
Travel costs	.....
Utilities	.....
Work cover	.....
Other	.....
Other	.....
OtherOther	.....
TOTAL REPEATING EXPENSES	.....

Employing staff

If you decide to employ help, as opposed to sub-contract, you need to think about how to manage and treat your employees. Make them a part of the team. Keep them informed of changes and get their feedback.

Employees often have excellent ideas that can lead to new market areas, innovations to existing products or services or new product lines or services which can improve your overall competitiveness.

Most contracts specify certain employer - employee relationships. As an employer you need to know:

- minimum employment conditions, award and non-award;
- taxes including group tax, payroll tax;
- Workcover and other insurance;
- superannuation;
- legal responsibilities, including safe workplace responsibilities, OH&S, equal opportunity and discrimination, termination of employment; and
- regulations about employing apprentices and trainees

Contact your local Business Education Centre for assistance about these matters.

delivery contract



A major national communications company is increasing the number of jobs it is putting out to tender, as part of a company-wide restructure. One of these jobs is the delivery service in the ever-expanding city fringe areas of Australia. Contracts are for up to five years. This contracting-out process is largely designed to contract individuals, rather than sub-contract to companies, and, because many contracts are part-time, delivery services may be combined with other work.

Who can tender?

In order to be awarded a contract, you need to have the following:

- Driver's License. If you are awarded a contract and you don't have a license, the company gives you one month to get it. The costs of any training can be a tax deduction.
- A roadworthy vehicle. Some specifications specify a motorbike. If you don't have a car or a motorbike and are awarded a contract, the company sometimes has second-hand motorbikes to sell. Ask about this.
- By 1/7/2000 contractors will need to have an Australian Business Number (ABN), or else will have to pay the highest rate of tax, so it is advisable to get a ABN. You do not need to have company legal status.

The tendering process

In this section we will meet Bob, who designs the tender documents and assesses the tenders submitted, and a manager, Jack, who is putting the system into place at a regional level.

We also meet successful tenderers, Len, Alan and Kev, and hear from them about their experiences!

Stage 1: the tender

Bob is the manger of the Contracts Office, which oversees the tendering out process for non-metropolitan areas of his state. Bob's office is the first contact point for people following up on a tender advertisement they've seen advertised in the newspaper or heard about. There is usually a major advertising campaign around 1st February each year, but there are other opportunities at other times of the year.

The Contracts Office sends out all the paperwork for the tender process. Presently there are 3 sets of documents for each tender:

- Blank contract, so people know what they would have to sign and be held to;
- Specifications: contains a full description of what has to be done; and
- Tender application form, including a sheet for costing the tender bid.

Many people who contact Bob about

putting in a tender are worried about the whole idea of a tender as compared to a 'normal' employee relationship. They are afraid they will be exploited and asked to do more than they've agreed in the contract, and more than they'll be paid to do.

Bob sees the difference this way: "With a legal contract, all the duties are spelled out. It's binding on both parties. Both sides are equal partners in the contract. Neither side can just change the arrangements. The company can only ask people to do what is in the specifications". If the conditions under which the contract was signed change dramatically, such as the price of petrol skyrockets, or many more houses are built in a particular area than the specifications included, it is possible for the contractor to ask the Contracts Office to review the costings. The contractor should not feel that they are going to be locked in to an unfair situation. As Bob says, "We want this to work too".

This leads us to Bob's first rule for

CASE STUDY

DELIVERY CONTRACT (cont.)

tenderers: read the specifications very carefully. Check them by driving the route. Ask the 'w' questions:

- What is the service being asked for?
- Where is it to be done? The route to be followed and distance to be travelled is spelled out in the specifications.
- When is it to be done? It is to be done 250 days each year, so you will need a contingency plan to cover sick leave or holidays. Delivery also has to be done each day within the time frame given in the specifications.
- What will it cost to do it?

Bob's second rule is: work out your costs very carefully. It is a fine line between pricing yourself out of a contract because your price is too high, and putting in such a low price you end up doing the job for next to nothing, or worse still, going bankrupt.

• Think about all costs involved, including insurance,. In terms of insurance you will need Public Liability Insurance. Be realistic and reasonable about vehicle related costs. The costing sheet (see Page 19) should help with the overall scope of what you can include here, but you will need to get figures for your make of car. The RACV or NRMA can help here.

• Labour costs: The tendered cost per hour should be around the same cost as the award rate for doing the same job. To give you a guide, at the time of writing the award cost was \$11.31 per hr. This is the sort of information you can check by ringing Bob. He is able to help with this sort of information.

Many people see an accountant to help them work out costs. This can be useful but you will need to advise your accountant about the competitive nature of the tender, as accountants sometimes cost everything possible into the price. Ask the accountant too about ways of recording costs so they can be offset against taxation. This can

then make your costing for the tender more competitive.

Bob's third rule is: read the lodgement details very carefully

When a tender is delivered after the due date, it can not be included in the process. Under tendering rules, a late tender can only be accepted if none of the tenders lodged by the due date are satisfactory. A late tender is automatically put to one side until all other tenders have been looked at. If any of the others are satisfactory, it is not even looked at. This is really disappointing given that it is possibly a well thought out tender

Stage 2 Assessing the tenders

The most important consideration when judging a tender is 'price'. While tenders are judged competitively on price, the person making the decision has to be sure that the successful tenderer can perform the duties for that cost. The cheapest price doesn't always win. For this reason it is important to consider your costings very carefully. People working in the Contracts Office also do these calculations so they can judge what is 'rea-

sonable'.

The tenderer with the lowest price for completing the job satisfactorily is called for an Assessment Interview. Their facility is also inspected.

Bob has to complete an Assessment of Tenderer form to record the reasons for deciding on a particular tenderer. Bob has to comment on whether the tenderer:

- has a suitable vehicle;
- has contingency arrangements in place in the event of a vehicle breakdown, or driver in the case of a personal emergency;
- is aware that they must attend training as requested;
- understands the specifications in the contract, including commencement dates, sorting arrangements, timetables and route to be followed;
- will meet OH & S standards and will obey the road laws;
- is not on the company's list of unacceptable contractors and
- is satisfied with the amount agreed in the contract.

The interview gives the opportunity for the contractors to clarify any issues they might have with the contract. It is



also the time to check that everyone mentioned in the contract knows their responsibilities.

Once the contract is in place, the contractor can contact Bob for help at any point. Remember that it is not a contract for life, and if a contractor is not able to continue he or she can assign the contract to someone else at the same price and terms and conditions. If there is a 'financial hardship issue', it is always worth phoning Bob to see what can be done. Remember: "We want this to work too".

Stage 3: Regional manager: Jack

Jack is the regional manager, and has to manage several offices, a large number of employees, and 26 contractors. The appointment of delivery service contractors has had a big impact on Jack's work. It is Jack's responsibility to ensure that all deliveries are made according to company delivery service standards. As part of this he must oversee the work of the contractors. Regional managers do not play a part in the selection of tender process, and so do not know what experience and skills a contractor has. In many cases the manager does not have the resources to train contractors, so they have to manage by themselves.

Jack would advise anyone thinking about tendering for a delivery contract to read the specifications carefully, and check for 'extras' not included, but asked for later. While the delivery side of the contracts is well described in the specifications, Jack is concerned that the tenders do not include enough detail or accurate figures on the time taken to process deliveries, and that contractors miss out on the training company employees normally receive.

Stage 4: The contractors: Len, Allan and Kev

Len, Alan and Kev are contractors in the delivery area managed by Jack. While they are all successful tenderers, they have had different experiences of being contractors.

Len has two contracts and has had company contracts for about 10 years in all. Previously Len had his own business in the building industry, so is used to this way of working.

Alan is the 'new kid on the block' being in the first year of a one-year contract. Alan asked for a one-year contract because he wanted to know what he was getting himself into before he signed on for longer. For Alan, the contracting is a lifestyle decision; he likes the flexibility of part-time work. He is now hoping that the contract will

The contractor should not feel that they are going to be locked in to an unfair situation. As Bob says, "We want this to work too."

be extended for a longer period.

Kev has signed a three year contract. Kev also likes the part-time nature of the work, as he has retired from a full time job. It is the first time he has worked as a contractor as opposed to an employee.

All three contractors had heard of the tenders by word of mouth. They agreed that the most difficult part of the tender process had been to work out their costs, specially their costs per hour. The costs of insurance and replacements for leave have to built into the tender costs, which then makes the cost per hour quite high. They felt

that they were caught between a rock and a hard place. If they calculated their costs too high, they wouldn't get the tender, if too low, they would be working for nothing. Getting the figure right was crucial.

They would advise anyone thinking of tendering to check the information in the specifications carefully. In terms of the time taken to do a delivery round some days take longer than others because there might be materials which have to be delivered at every delivery point. They thought that the average time given to do a delivery round in the specifications was not enough, but, as this is the time that costs would be based on, there wasn't much you could do about it at the point of tender. They recommend that anyone thinking of tendering check the route thoroughly and time it, so they know what they are getting into.

Len, Alan and Kev believe anyone with a regular job would not be interested in a contract, because the contract does not provide any rights and entitlements like holidays or protection in the event of an accident. While there is a Contractors Union, they felt they had no Union protection. If they are asked to do something which is beyond what's agreed in the contract they have to negotiate this by themselves. Any thoughts of taking a second job evaporate because of the unpredictable hours a delivery run might take.

Len had used an accountant to help work out costs, and would recommend this to anyone thinking of tendering.

All contractors were aware of the possibility of re-negotiating a contract because of increases in the price of petrol, CPI rises and extra delivery points on their rounds.

resources

All states and territories have agencies to assist small business.

Business Enterprise Centres

Business Enterprise Centres (BECs) are independent organisations which provide information, advice and training to start-up and micro businesses. BECs provide businesses with a valuable source of information on establishing and operating a profitable enterprise. BECs are non-profit, community based organisations. State governments contract BECs to provide free and confidential advice and training to existing and potential small business owners and operators. BECs are focused on creating local small business opportunities. Services and products offered by BECs include:

- practical business advice, counselling and support
- help with preparing business plans, including marketing, budgeting and cash flow
- promotion of small businesses
- information on new business opportunities
- information on government services and programs
- mentor support for business clients
- referral to specialist professional advisers (eg accountants, lawyers and financial planners)

These Centres are located in city and regional centres across Australia.



VIC	Small Business Vic	13 22 15
NSW	Department of State and Regional Development; Business Enterprise Centres (BECs)	02 9228 3111 Fax: 02 9228 3626
QLD	State Development Centres	13 26 50
SA	The Business Centre	1800 188 018
WA	Business Information Support Services	1800 093 340
TAS	Department of State Development	03 62 335888 Fax: 03 62 335800
ACT	Canberra Business Centres	02 6242 1901
NT	Territory Business Centre	1800 193 111

internet resources

Browse these for support services, opportunities to attend information sessions on tendering processes, and useful contacts.

<http://www.business.gov.au> Provides government information for:

- People operating a business in Australia and their advisors, and
- People planning to start a business.

Register on line for an Australian Business Number, Tax File Number and Goods and Services Tax. Site links to

- All major Commonwealth Government sites and State/Territory Sites
- Industry Associations and Chambers of Commerce

<http://www.sbv.vic.gov.au> (useful fact sheets, location of Victorian Business Education Centres, events and seminars)

<http://www.dedt.qld.gov.au> (information about state development centres and sources of assistance)

<http://www.smallbiz.nsw.gov.au> and businessweb@business.nsw.gov.au (location of Business Education Centres, events and seminars)

<http://www.tbc.nt.gov.au> (registering new business, licenses and permits, application forms)

<http://www.nt.gov.au/darti> (useful about doing business with Asia)

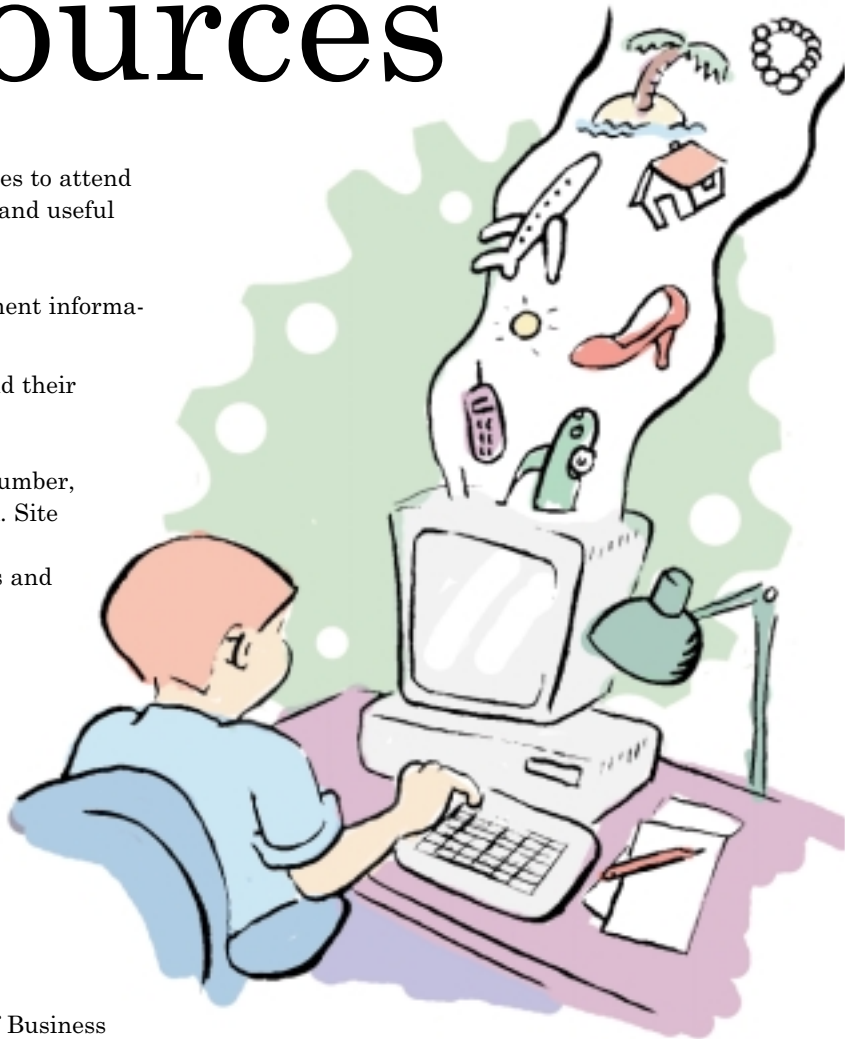
<http://www.sbdc.com.au> (information about starting a small business in WA and support services)

<http://www.tdr.tas.gov.au> (information about major Tas projects)

<http://www.tbc.sa.gov.au> (useful fact sheets, location of Business Education Centres in SA)

<http://www.business.gateway.act.gov.au> (licenses, business advice, industrial information)

<http://www.lgsa.org.au> (information about local government arrangements)



<http://www.taxreform.ato.gov.au> (information about the GST).

Net magazines

These offer free downloadables, and advice.

<http://www.smallbiz.findlaw.com> (American site. Lots of information about starting out, useful forms)

<http://www.mybusiness.com.au> (Australian site. Easy to read info about starting a new business)

http://www.quicken.excite.com/small_business (downloadables)

<http://www.mymoney.com.au> (hints for small business)

Online training for small business

<http://classroom.sba.gov/xtrainx/>



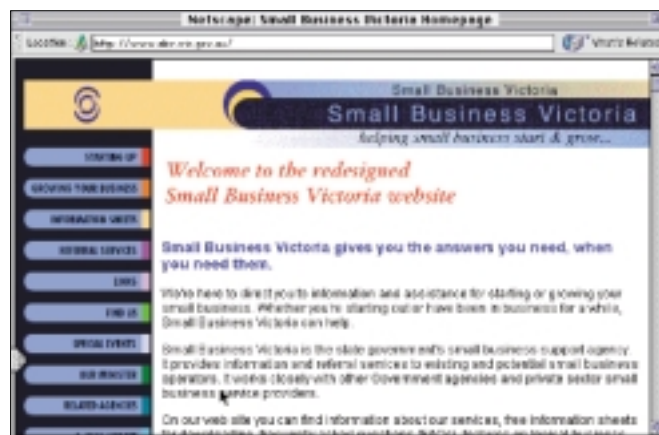
<http://www.business.gov.au>

Provides Australian government information and transactions for people operating a business, and people planning to start a business.

Register here to apply for an Australian Business Number and Goods and Services Tax.

<http://www.sbv.vic.gov.au>

A Victorian Government site offering information on Starting Up, Growing Your Business, Information Sheets (for downloading frequently asked questions), Referral services, Special Events and so forth.



http://www.quicken.excite.com/small_business/starting_a_business

An American site offering information on: How to Incorporate Your Business, Why Write a Business Plan? Small Business Newsletters, Finding Partners, Funding Your Business and so forth.

<http://www.smallbiz.nsw.gov.au>

New South Wales Government site offering information to people operating a business, and people planning to start a business.



CASE STUDY

NON-GOVERNMENT ORGANISATION

another
success story

Shane has been employed by a non-government organisation for several years. Recently, the grants received by the organisation from government were cut. The organisation decided it was too expensive to employ staff and to maintain a city-based office.

Shane had already been made redundant once before and now he feared that he would now lose his part time job as well.

The organisation decided to save costs by volunteers doing some of the work previously done by employees and to tender out all the other functions such as the publishing of a newsletter, management of a website, the upgrade of a contact list and organisation of meetings and professional development events.

Shane decided that as he had been doing most aspects of the work he would respond to the tender but he felt really nervous about it. He had never been self employed and had no idea how to organise his affairs.

The tender provided specifications for all the work and nominated the amount of money available. Shane had to work out the costs of doing the work as efficiently as he could and make sure that there was enough left for his own labor costs. The tender also required him to take out professional insurance as well as the normal public liability insurance and workcover.

Shane went to see his accountant and together they worked out the fixed costs, his labor costs and looked at the implications for his personal income. Shane talked through some of the details of the contract with the organi-

sation and they accepted his tender. In the end it turned out successfully for both parties.

The organisation was able to cut costs by limiting its employer responsibilities, it was able to close its CBD office and simply pay directly for the services it needed. For Shane he was able to retain his part time job and manage his time better. He only worked when there were tasks to do avoiding time serving in the city office. He was able to work from home which allowed him the opportunity to combine family responsibilities. He was able to take on other small contracts when it suited.

The organisation will renew the contract with Shane in 2000.



