

OGCA Member Bulletin

Validity Period on the Award of Tenders

We have been directly advised by numerous OGCA contractors that they are very concerned with the current length of time regarding the successful award for construction projects.

The universally accepted industry standard for validity periods for the successful award of construction tenders has typically been thirty (30) days. This timeframe characteristically grants the owner sufficient time to review and subsequently award the tender to the most qualified recipient. As of late, that accepted period has slowly increased to an unmanageable timeframe of ninety (90) days and beyond.

The OGCA is recommending that all members please review any potential tender documents and insist on the timelines for award being returned to a thirty (30) days period.

The OGCA would like to highlight why it is imperative that the timelines for the awarding of tenders are returned to their original industry accepted length of thirty (30) days.

Cost Uncertainty:

1. The global pandemic has greatly affected the supply chain and as you are aware, most construction products and items have been affected.
2. All subtrades and suppliers are now only holding their pricing to the general contractors for no more than thirty (30) days.
3. In some instances, the supply chain validity period is as low as forty-eight (48) hours.

Clearly the longer it takes to successfully award a construction tender directly translates into more price volatility and does not allow anyone throughout the entire process any certainty.

By recommending that the award period return to thirty (30) days, buyers of construction will be once again aligning themselves with the validity offerings of the rest of the supply chain and thereby returning some stability to the pricing provided.

This return of pricing stability should be seen as advantageous by the buyers of construction since it provides them with a greater degree of accuracy and eliminates the potential risk being borne by the general contractor who would typically price that risk component into the bid submission.

Bonding Capability:

By artificially increasing the length of time to award a construction project, buyers of construction have inadvertently caused an unintended consequence with respects to a contractor's bonding capabilities.

1. Communicate to buyers of construction that bonds on tenders, once submitted, are held outstanding until there is a successful award.
2. This directly diminishes the overall bonding capacity of said contractor to bid any other projects.
3. Surety providers are becoming more concerned about price volatility and the potential for their bonded clients to incur significant losses from having to absorb a hefty price escalation for a key material component.

To clarify, the longer the bid remains open and unawarded directly influences the bonding capacity of general contractors and therein construction's ability to price all the projects that are

OGCA Member Bulletin
Validity Period on the Award of Tenders

being offered. This disrupts the flow of construction and may cause a diminishment of bidders on specific tenders or unforeseen price fluctuations to compensate for the time requirements.

The OGCA is communicating directly with buyers of construction, noting the issues highlighted above as well as taking a concerted effort to communicate this position to the entire construction network. This will provide construction a focal point of reference and begin the process of returning the timelines for award to a thirty (30) days period.

Should anyone want to discuss validity periods, or if you require any assistance from the OGCA, please contact me directly at giovanni@ogca.ca or via phone at 905.671.3969.