

**Department of Planning, Transport and Infrastructure
Building and Construction Project Prequalification System**

(Edition 2012)

PREQUALIFICATION INFORMATION (4M/4MA)

**General Building Contractor
Trade/Sub Contractor**

Category 4M (\$50,000 to less than \$250,000)

Trade/Sub Contractor

Category 4MA (<\$50,000 asbestos removal)



Government of South Australia

Department of Planning,
Transport and Infrastructure

Contents

Prequalification Information	3
Introduction	3
DPTI Building and Construction Project Prequalification System	3
Application and Reference Documents	4
Application Documents	4
Reference Documents	4
Prequalification System Operation	4
Categories of Prequalification	4
Prequalification Requirements - Categories 4M and 4MA	5
Technical Capability	5
Financial Capacity	6
Work Health and Safety	7
Industry Initiative	7
Re-registration and Changes to Categories	7
Upgrading from Category 4M	7
Downgrading, Suspending or Cancellation of Registration	7
Assessment and Appeal Processes	8
Prequalification System Application in Tendering	8
Project Prequalification Category Selection	8
Tenderer Selection from the Register of Prequalified Contractors	8
Evaluation of Tenders from Prequalified Contractors	8
Contact	9

Prequalification Information

Introduction

Government recognises that, given its purchasing power within the construction industry, it has responsibilities and obligations to both the taxpayer and the industry to:

- ensure that industry companies are known to government
- contract with companies which demonstrate the best of industry practices
- facilitate continuous improvement in the industry as a whole.

The Government of South Australia through its Department of Planning, Transport and Infrastructure (DPTI), has developed a prequalification process and associated prequalification requirements for businesses wishing to contract with the Government for building construction projects – DPTI Building and Construction Project Prequalification System. Implementation of the System aims to:

- lift the performance of the building and construction industry
- give confidence in the ability of contractors to provide satisfactory project outcomes in terms of time, cost and quality
- provide objective, quantifiable data to support the decision making processes in selecting contractors.

This will enable DPTI to:

- develop a register of contractors who are interested in contracting with government on construction projects
- set minimum requirements based on criteria against which the suitability of contractors to perform government work can be assessed
- adjust the minimum requirements periodically, in keeping with developments in the industry, to effect continuous improvement in the building and construction industry in South Australia
- develop objective, quantifiable data to support the decision-making and risk assessment processes in prequalifying contractors taking into account their technical capability and financial capacity.

DPTI Building and Construction Project Prequalification System

The prequalification process provides a mechanism to continually improve the performance of contractors seeking government work. The system assesses a contractor's capacity and capability to satisfactorily contract with government and complete building construction projects. Prequalification enables contractors to become registered as being suitable to contract with the government in particular categories based on project value. Registration is NOT a guarantee that any contracts will be awarded.

Category 4M provides an entry-level category with simplified benchmark criteria appropriate to the risk level of lower value projects. The project value of this category overlaps that of category 4 thus providing a mechanism for contractors to gain the prerequisite experience on low value/risk government projects necessary for registration in category 4.

Category 4MA is a category established specifically for asbestos removal contractors.

General building and trade/sub contractors wishing to be registered in these categories are

Prequalification Information (4M/4MA)

required to complete an application, which will be assessed and successful applicants will be placed on the register of prequalified contractors.

Minimum acceptable benchmarks for registration in categories 4M and 4MA are detailed in this document 'Prequalification Information (4M/4MA) (Edition 2012)'.

The assessment process will be undertaken by the Registrar in the first instance with prequalification being granted by an Assessment Panel.

Appeal processes are available where contractors do not agree with the Assessment Panel's decision. Details of the assessment and appeal processes are contained in the document 'Assessment and Appeal Processes (Edition 2012)'.

The prequalification process sets consistent standards in contracting and managing projects as a prerequisite to tendering for government work. Contractors working towards 'industry best practice' should have no difficulty in providing the information called for in the prequalification process. Others may need to review their performance and practices to be able to meet the requirements and some may need to access specialist resources or seek assistance from their industry associations.

DPTI will apply tendering processes to establish contracts and will generally invite registered contractors to tender for those categories and types of work for which the contractor is registered.

Application and Reference Documents

The following are the application and reference documents for the DPTI Building and Construction Project Prequalification System (Edition 2012).

Application Documents

- 01 Application Form (4M/4MA) 2012
- 02 Performance Report Form 2012 (PO18)
- 09 Referee Details Form (4M/4MA) 2012 (PO10)

Reference Documents

- 03 Prequalification Information (4M/4MA) 2012 (PO8)
- 04 Assessment and Appeal Processes 2012 (PO19)
- 05 Benchmark Criteria 2012 (PO20)
- 06 Financial Capacity Assessment (4M/4MA) 2012 (PO9)
- 07 Performance Reports 2012 (PO21)
- 08 Code of Practice and Implementation Guidelines 2012 (PO22).

Prequalification System Operation

Categories of Prequalification

Contractors are invited to apply for registration in categories of work according to estimated total contract values, with registration in specific categories being granted on the basis of the information supplied. Registration will be for a period of two years after which time an application for re-registration must be submitted.

Prequalification Information (4M/4MA)

Prequalification requirements have been established for the following categories:

General Building Contractors		Trade/Subcontractors	
Category	Contract Value	Category	Contract Value
1	\$10M to less than \$50M	1	Over \$2.5M
2	\$4M to less than \$10M	2	\$1M to less than \$2.5M
3	\$2M to less than \$4M	3	\$500,00 to less than \$1M
4	\$150,000 to less than \$2M	4	\$150,000 to less than \$500,000
4M	\$50,000 to less than \$250,000	4M	\$50,000 to less than \$250,000
		4MA	less than \$50,000 (Asbestos Removal Trade only)

Each category contains sub-categories for each trade type and contracting preferences such as project type, contract type, building type and project location as well as performance ratings that are maintained within the system database. This data may be used to select suitable tenderers from the register on a contract-by-contract basis.

Prequalification Requirements - Categories 4M and 4MA

Applicants for registration are required to demonstrate to the satisfaction of the Assessment Panel that they have the capacity to successfully and consistently undertake projects to a satisfactory standard, in the category sought.

Applicants for registration in categories 4M and 4MA will be assessed on the following criteria:

- technical capability
- financial capacity
- work health and safety (WH&S)
- industry initiative.

The benchmark criteria and the extent of detailed evaluation of each requirement will depend on the value and nature of the pre-qualification category being considered.

The prequalification process provides a mechanism to continually improve the performance of contractors seeking government work. The benchmark levels for benchmark criteria are set out in the document 'Benchmark Criteria (4M/4MA) (Edition 2012)'.

Technical Capability

Applicants are required to demonstrate to the satisfaction of the Assessment Panel that they have the technical capability to successfully undertake projects in the categories sought.

Three (3) elements will be considered - the experience of employees, project experience and referee reports.

Applicants must hold licences appropriate to the type of work with any restrictions accepted by the Panel as appropriate to the work type and category.

Technical assessment as a General Building Contractor or Trade/Sub Contractor will be based on referee assessments of performance on three (3) contracts as follows.

- Contract/trade value to be in excess of \$50,000 (Category 4M).
- Contract completed within two (2) years of the date of receipt of the application by DPTI.

Applicants for registration as General Building or Trade Contractor in Categories 4M or 4MA are required to provide a minimum of one (1) performance report on a contract within the value range and details of two (2) referees willing to provide verbal assessment of the Contractor's performance on two other contracts (three in total). Applicants for Trade Contractor are required to provide the three reports detailed above for each trade type category sought.

Where DPTI, under the prequalification system, has assessed a Contractor's performance on departmental projects completed within the last two (2) years, these reports will be automatically included in all assessments. If the reports held by DPTI are current and meet the value ranges, project types, work/trades, locations and the minimum number of reports required for registration as sought in the application, no further performance reports need be provided.

If however, additional reports are required to cover the work/trades and categories sought, or the Applicant requires other contracts to be taken into account, additional reports may be submitted with the application. The maximum total number of performance reports for non-DPTI projects is three (3) for General Building Contractor or for each Trade Contractor trade type.

The management, scoring and use of performance reports and referee credentials are detailed in the document 'Performance Reports (Edition 2012)'.

Financial Capacity

Applicants must demonstrate that they are financially viable with the capacity to successfully complete contracts in the categories for which prequalification is sought.

Applicants are required to provide a statement from an accountant or banker advising that the business has sufficient financial capacity to undertake contracts up to the upper value of the applicable category range and specifically to verify that:

1. it has sufficient liquid assets to meet project demands (working capital)
 - it has sufficient financial capacity to undertake the projects up to the upper value of the category work/trade type (\$250,000 or \$50,000)
 - it is in a position to meet its responsibilities to its creditors (including payment of subcontractors, suppliers, and employees)
2. there is a history of profitable trading (net profit)
 - there is profitability of the business, both declared and underlying
3. the business is adequately capitalised (net worth and shareholders' equity)
 - there is sufficient cash or access to cash by way of overdraft etc
 - capitalisation and net worth indicate sufficient cash flow to carry out contracts up to the upper value of the category work/trade type (\$250,000 or \$50,000)
 - the degree of risk or security introduced by non-contracting business activity is manageable
 - there is access if required, to guarantee facilities through assets held outside the business.

More specific information may be required on a contract-by-contract basis.

Further detailed consideration may include, but need not be limited to, existing contracts with the South Australian Government and other Principals, the valuation of assets, finance facilities, cash flow projections and related party transactions.

Work Health and Safety

Applicants are required to have work health and safety (WH&S) practices in place as required by the current WH&S Regulations. The prequalification process will require demonstration of an acceptable standard through self assessment of the relevant practices being undertaken as a component of normal business.

DPTI may undertake an independent audit of the contractor's WH&S practices either at the time of prequalification assessment or during the registration period. Any audit reports or notices issued by the Regulatory Authority may result in the cancellation, suspension or downgrading of prequalification registration.

The minimum requirement for prequalification does not take precedence over any legislated requirements.

Industry Initiative

Applicants will be expected to implement initiatives as detailed in the Application Form. The requirement includes the implementation of the Code of Practice for the South Australian Construction Industry.

Re-registration and Changes to Categories

Re-registration is required every two (2) years at the expiration of the registration period with a financial statement being provided annually if requested. Prequalified contractors will be invited to re-register by the DPTI Registrar prior to prequalification elapsing.

A registrant may, at any time by completing a further application form, apply for registration in work types or trades other than that for which registration is current. The registrant must meet all the benchmark criteria for any additional categories as for a new registration.

Upgrading from Category 4M

To progress to a higher category, a prequalified contractor will generally need to establish a record of successfully completed projects at the original category and to demonstrate to the satisfaction of the Assessment Panel that it has the capability to successfully and consistently undertake projects to a satisfactory standard in the higher category being sought.

For upgrading from Category 4M to Category 4 the applicant is required in the four years prior to the date of application, to have successfully completed contracts in the general building contractor or the trade type category for which registration is sought.

These reports must demonstrate at least three (3) contracts successfully completed in the four (4) years prior to the date of application in the Category 4 value range, with each of the contracts being rated as satisfactory using the DPTI prequalification performance report. Current performance reports on contracts less than \$150,000 will not be included as part of the assessment for upgrading.

Applicants will be required to meet all other criteria for Category 4 as detailed in the Application and Reference Documents.

Downgrading, Suspending or Cancellation of Registration

There are circumstances under which a contractor's registration will be suspended or cancelled. Where the Registrar makes a recommendation and the Assessment Panel determines that an existing registration should be suspended or cancelled, then the Registrar will notify the registrant of the decision in writing and shall:

- specify the grounds upon which it has suspended or cancelled the current registration

- advise the registrant of its rights of appeal.

Assessment and Appeal Processes

The details of the operation of assessment and appeal processes are contained in the document 'Assessment and Appeal Processes (Edition 2012)'.

Prequalification System Application in Tendering

Project Prequalification Category Selection

DPTI will determine the prequalification category applicable to any contract on the following basis:

- estimated value of the contract
- assessment of the contract risk based on project risk
- assessment of the technical capability requirements of the contract
- other project factors.

Based on this risk assessment approach the category selected may not align with the estimated value of the contract. The selected category will apply regardless of the actual value of the tender awarded.

Tenderer Selection from the Register of Prequalified Contractors

A selection process for inviting tenders from contractors listed on the Register of Prequalified Contractors will be undertaken on the basis of the different types and categories of work for which contractors are prequalified.

Following the establishment of contractor performance data, DPTI will select contractors from the register taking into consideration past performance and appropriateness for the project type and value on a contract-by-contract basis.

Tendering will be by category tender call, selected tender call, registration of interest or single offer depending on the project circumstances. The database for contractor prequalification information is structured to enable selection of appropriate prequalified contractors on the basis of a range of predetermined project information e.g. project type, project value, geographical location which allows the user to narrow the selection of appropriate contractors.

DPTI reserves the right to call tenders from non-prequalified service providers in special circumstances such as limited prequalified contractors or highly specialised tasks requiring service providers not available from the prequalified list.

Evaluation of Tenders from Prequalified Contractors

When contractors have been prequalified with their performance, capability and capacity assessed as part of that process, then tender evaluation will generally consider only project specific issues. In evaluating tenders the principle of 'best value' will be applied. The 'best value' requirements include:

- compliance with the technical specification and conditions of contract
- assessment of any alternatives offered
- quality of the service/product offered

Prequalification Information (4M/4MA)

- past performance.

Contact

**Department of Planning, Transport and Infrastructure
Building and Construction Project Prequalification System**

(Edition 2012)

BENCHMARK CRITERIA

**General Building Contractor
Residential Building Contractor
Trade/Sub Contractor
Categories 1, 2, 3, 4 and 4M/4MA**



Government of South Australia

Department of Planning,
Transport and Infrastructure

Contents

Contents	2
Benchmark Criteria	3
General Building Contractor (GBC)	3
Residential Building Contractor	3
Trade/Sub Contractor	4
Notes	4
Contact	5

Benchmark Criteria

General Building Contractor (GBC)

Residential Building Contractor

Registration Category	1	2	3	4	4M
Project Value	\$10M to <\$50M	\$4M to <\$10M	\$2M to <\$4M	\$150K to <\$2M	\$50K to <\$250K
Technical Capability	See Note 1				See Note 5
Financial Capacity	Assessed by the independent consultants to Department of Planning, Transport and Infrastructure (DPTI) based on prescribed financial ratios relevant to the value of the category.				Assessed by applicant's accountant or banker
Quality Assurance (GBC only)	Certification to the relevant ISO 9001 standards See Note 2		Certified Quality System See Note 2		No requirement
Skill Formation	Compliance Level 3 See Note 3			Compliance Level 2 See Note 3	No requirement
Work Health and Safety (WH&S)	Compliance Level 2 Provision of a copy of the WH&S Policy and Action Plan. Demonstration of actions both on and off site for ongoing improvement. See Note 4				WH&S Policy and Management System in place
Industry Initiatives	Demonstration of implementing the Code of Practice for the South Australian Construction Industry 2008				
Human Resource Management	Compliance Level 2 See Note 3		Compliance Level 1 See Note 3		No requirement
Ecologically Sustainable Development (GBC only)	Compliance Level 3 See Note 3	Compliance Level 2 See Note 3	Compliance Level 1 See Note 3		No requirement

Trade/Sub Contractor

Registration Category	1	2	3	4	4M/4MA
Project Value	\$2.5M and over	\$1M to <\$2.5M	\$500,000 to <\$1M	\$150,000 to <\$500,000	\$50,000 to <\$250,000 (<\$50,000 for 4MA)
Technical Capability	See Note 1				See Note 5
Financial Capacity	Assessed by independent consultants to DPTI based on prescribed financial ratios relevant to the value of the category.				Assessed by applicant's accountant or banker
Quality Assurance	Certification to the relevant ISO 9001 See Note 2		Certified Quality System See Note 2		No requirement
Skill Formation	Compliance Level 3 See Note 3			Compliance Level 2 See Note 3	No requirement
Work Health and Safety (WH&S)	Compliance Level 2 Provision of a copy of WH&S Policy and Action Plan. Demonstration of actions both on site and for ongoing improvement. See Note 4				WH&S Policy and Management System in place
Industry Initiatives	Demonstration of implementing the Code of Practice for the South Australian Construction Industry 2008				
Human Resource Management	Compliance Level 2 See Note 3			Compliance Level 1 See Note 3	No requirement

Notes

- Technical Capability requires previous and demonstrated capability relevant to the category for which registration is sought. Assessment will comprise three parts:
 - employee profile with appropriate experience and qualifications
 - demonstrated experience on projects of equivalent contract value to the highest category of prequalification sought
 - three (3) satisfactory performance reports on contracts completed in the four years prior to the application date (include all performance reports on completed DPTI contracts within the four years).
- The required quality system is defined in the document 'Quality Assurance (Edition 2012)'. A quality system is not required for registration as a Residential Building Contractor.

Benchmark Criteria

3. Compliance level requirements are found in the document 'Compliance Matrices (Edition 2012)'.
4. The WH&S Action Plan documents practices and processes in place, the activities to be undertaken in implementation of the WH&S Policy and those required to ensure compliance with legislative requirements.
5. Applicants for registration as General Building Contractor in Category 4M are required to provide a minimum of one (1) performance report on a contract within the value range and details of two (2) referees willing to provide verbal assessment of the Contractor's performance on two other contracts (three in total) completed in the last two years. Applicants for Trade /Sub Contractor in categories 4M and 4MA are required to provide the three reports detailed above for each trade type category sought.

Contact

**Department of Planning, Transport and Infrastructure
Building and Construction Project Prequalification System**

(Edition 2012)

FINANCIAL CAPACITY ASSESSMENT (4M/4MA)

**General Building Contractor
Trade/Sub Contractor**

Category 4M (\$50,000 to less than \$250,000)

Trade/Sub Contractor

Category 4MA (<\$50,000 asbestos removal)



Government of South Australia

Department of Planning,
Transport and Infrastructure

Contents

Introduction	3
Financial Assessment	3
Banker or Account Statement	3
Financial Audit	4
Confidentiality and System Security	4
Contact	4

Introduction

Assessment of financial capacity is seen largely as a risk management tool. Along with other prequalification criteria it is used specifically to measure the financial capacity of the general building or trade/sub contractor to meet its financial obligations to subcontractors, suppliers, contractors and employees. Its secondary aim is to encourage financial reform within the construction industry particularly:

- capitalisation
- profitability
- management practices.

The process has advantages to the Government of South Australia in that it:

- allows the identification of contractors who represent financial risk
- allows contractors to alter their financial position and become eligible for registration, thus increasing the size of the contractor tender field.

It also has advantages to the industry as it:

- reduces the risk of preparing services and fee offers which are later rejected when financial capacity is tested
- reduces the risk to other parties in the industry of contractor financial failure.

Financial Assessment

Contractors applying for prequalification will identify which categories they are applying for and provide the appropriate financial statement prepared by the contractor's bank or independent accountant¹.

Banker or Account Statement

Applicants are required to provide a statement from an accountant or banker advising that the business has sufficient financial capacity to undertake the projects up to the upper value of the applicable category range for the work type and specifically verify that:

1. it has sufficient liquid assets to meet project demands (working capital):
 - it has sufficient financial capacity to undertake the projects up to the upper value of the category work/trade type (\$250,000 for 4M or \$50,000 for 4MA)
 - it is in a position to meet its responsibilities to its creditors (including payment of subcontractors, suppliers, and employees)
2. there is a history of profitable trading (net profit):
 - there is profitability of the business, both declared and underlying
3. the business is adequately capitalised (net worth and shareholders' equity):
 - there is sufficient cash or access to cash by way of overdraft etc

¹ If it is proposed that the contractor's company accountant provides the statement, then the accountant must independently sign the statement and provide its CPA number or equivalent.

Financial Capacity Assessment (4M/4MA)

- capitalisation and net worth indicate sufficient cash flow to carry out contracts up to the upper value of the category work/trade type (\$250,000 for 4M or \$50,000 for 4MA)
- the degree of risk or security introduced by non-contracting business activity is manageable
- there is access if required, to guarantee facilities through assets held outside the business.

The statement provided shall be signed by an authorised representative of the accountant or banker and provide contact details of the person or organisation making the statement.

Financial Audit

Periodically, or if required to assess a specific risk, the Department of Planning, Transport and Infrastructure (DPTI) may undertake an audit of an applicant or registrant's financial assessment using an auditor selected by mutual agreement. Information provided under such an audit will be confidential.

Where the auditor reports a significantly different finding from that provided by the banker or accountant the contractor will be provided an opportunity to clarify its assessment. Where there is proven assessment inaccuracy which prejudices the financial capacity of the contractor, DPTI may refer the matter to the Assessment Panel which may consider measures as set out in the document 'Assessment and Appeal Processes (Edition 2012)'. Appeal processes will apply.

Confidentiality and System Security

All financial information supplied by the contractor will be in the absolute control of the Chief Executive of DPTI, who will take all such reasonable steps as may be necessary to secure the complete confidentiality of that information.

Subject to the above, financial information provided by a contractor shall not be made available to any person, including assessment panel or appeal panel members.
