

CONTRACT PREPARATION

1.0 PURPOSE

This procedure describes the requirements for the establishment of a purchasing contract which can be for the procurement of raw materials, goods, services or project items. Contracts are formed with a supplier where materials or a range of goods and services are to be continually supplied over a specified period of time. For some simpler long term supply arrangements a blanket purchase order may be sufficient instead of a contract.

2.0 RESPONSIBILITIES

It is the responsibility of purchasing team members to lead the process for the establishment of contracts and blanket purchase orders. The nominated purchasing member is responsible for ensuring that all relevant people, statutory requirements, safety and environmental requirements as well as company standards and practices affected by the execution of the contract are included in the establishment process.

3.0 PROCEDURE

The procedure for the preparation of purchasing contracts is shown on page 5 on the flow chart titled “Contract Review Process”.

3.1 REQUEST FOR TENDER

The preparation of most purchasing contracts will require a tendering process, the exceptions to this being where there is only one possible supplier or there is an agreed strategic reason for selecting a supplier.

The preparation of the tender documents will consider the following issues and generally be in the following format:

- 3.1.1. Front page
- 3.1.2. Introduction

- 3.1.3. Objectives
- 3.1.4. Requirements
- 3.1.5. Information to be provided
 - Pricing
 - Lead times
 - Other services
 - References
 - Electronic ordering ability
 - National supply capability
 - Out of hours supply ability
 - Technical support
 - Inventory reduction
- 3.1.6. Key performance indicators
- 3.1.7. Duration of contract
- 3.1.8. Presentation
- 3.1.9. Safety requirements including safety management plan
- 3.1.10 Environmental requirements
- 3.1.11 Industrial relations
- 3.1.12 Invoicing requirements
- 3.1.13 Terms and conditions
- 3.1.14 Attachments

3.2 VENDOR SELECTION CRITERIA

The selection of a successful tenderer may be a two step process (a) Bidding list selection and (b) Successful tenderer selection. In either case all tenderers must meet the selection criteria.

3.2.1 Bidding List Selection.

This is done when there are a large number of potential suppliers and their capabilities are not well known. It is a process to reduce the number of bidders relatively quickly to a manageable number of approximately 3 to 5. This process is done by seeking expressions of interest of a few pages in length which focus on the major criteria only.

3.2.2 Successful Tenderer Selection.

The selection of the successful tenderer is done by comparing the submissions from the bidders against a predetermined set of relevant criteria which will have considered the following:

- Price
- Hours of availability
- Lead times
- Ability to measure KPIs
- Range of goods or services
- Ability to handle buy-ins as well as stock
- References
- Quality of presentation
- Ability to supply other services
- Electronic ordering capability
- National supply capability
- Technical support
- Account/project manager and other key personnel

- Quality of personnel and organisation structure
- Ability to reduce our inventory
- Safety record
- Self managed safety systems
- Contractors licences and qualifications
- IR record
- Management and culture of company
- Trading terms
- Ability to deliver or complete on time
- Quality systems including ISO accreditation
- Cost control systems
- Planning and scheduling system and ability
- Off site support or fabrication facilities
- Purchasing capability
- Ability to manage sub-contractors
- Progress reporting capability
- Interest/enthusiasm for XXXX and project
- Type of contract offered e.g. fixed or open book
- Risk and reward

3.3. Reference Documents

The following reference documents are all available for use in the process of establishing a contract or blanket order:

- Contract review flowchart
- Request for tender examples
- Specification examples
- Covering letter examples
- Contract and agreement examples
- Contract schedule

CONTRACT REVIEW PROCESS

