

CONSTRUCTION ADVISORY SERIES

NAVIGATING THE MINEFIELDS

A Structured Tendering Strategy for Sabah Contractors

Why pricing the BQ is only the final act — not the first. A three-tier framework for building a tendering discipline that protects your profit and your reputation.

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Every year, contractors across Sabah submit tenders that contain the seeds of their own failure. They price Bills of Quantities without reading the contract conditions. They commit to programmes without visiting the site. They bind themselves to rates without understanding the risks they are absorbing. This publication is written so that you might stop doing that.

The familiar pattern is this: a tender notice appears; the contractor obtains the tender documents; a freelance or part-time Quantity Surveyor is engaged to “price the BQ”; the rates are assembled — sometimes from memory, sometimes from the last project, sometimes from a copy of the Government’s confidential estimate that has been improperly obtained — and the tender is submitted. The entire exercise may take a few days. No contract conditions are studied. No site visit is made. No risk assessment is conducted. No construction programme is prepared. The contractor simply prices and hopes.

The consequences are predictable and, in Sabah, well-documented. The Federal Government has identified hundreds of “sick” projects across the State, with contractor financial distress, poor planning, and insufficient capability cited repeatedly as the root causes. Under the 13th Malaysia Plan (2026–2030), all approved Sabah development projects are to be procured through formal tender processes specifically to filter out contractors who lack the financial and technical capacity to deliver.

“The purpose of tendering is not to win a contract. It is to win a contract that you can deliver at a profit, without destroying your business in the process.”

This guide sets out a structured, three-tier tendering framework — calibrated to the complexity of the contract — that Sabah contractors can adopt and adapt. It addresses both public sector (Government/JKR/JKN) and private sector tendering. It is written from the perspective of a Consultant Quantity Surveyor, and it does not shy away from the uncomfortable truth: that much of what passes for “tendering” in Sabah is little more than guesswork dressed up in a priced BQ.

Part One

Why Structure Matters: The Cost of Tendering Without a Strategy

A tender submission is, in law, an offer. Once accepted, it becomes a binding contract. Every rate, every price, every provisional sum that you have included or omitted carries legal and financial consequences. Yet the majority of contractors in Sabah treat the tender as a clerical exercise — something to be completed quickly so that one can “get the job.”

Consider what you are actually committing to when you sign and submit a tender: you are accepting the terms and conditions of the contract, including the allocation of risks between you and the

Employer; you are warranting that you have inspected the site; you are confirming that your rates include for everything necessary to complete the work; you are representing that you possess the financial capacity, technical competence, and organisational resources to execute the works; and you are binding yourself to a programme, to liquidated damages, to defects liability, and to performance security.

If you have not read the contract conditions before pricing, you do not know what you have agreed to. If you have not visited the site, you do not know what physical conditions await you. If you have not assessed your own financial position, you do not know whether you can survive the cash-flow demands of the project. These are not academic concerns. They are the reasons contractors go bankrupt, projects become “sick,” and reputations are destroyed.

A NOTE ON CONFIDENTIAL ESTIMATES

The practice of obtaining copies of the Government’s confidential estimate (“anggaran jabatan”) and using them as a basis for tender pricing is not merely unethical — it is potentially an offence under the Official Secrets Act 1972 (Act 88). Beyond the legal risk, it is a fundamentally flawed pricing strategy. The Government estimate is prepared for budgetary allocation purposes, not for construction execution. It does not reflect your overheads, your profit requirements, your method of working, or your risk exposure. Following it blindly may mean you win the tender at a price that guarantees you will lose money.

Part Two

The Three-Tier Framework: Calibrating Effort to Complexity

Not every tender requires the same level of investigative and preparatory effort. The framework establishes three tiers, each with a proportionate level of procedural rigour. The critical point is this: **every tier requires a structured process**. The difference is in depth and formality, not in whether a process exists at all.

Tier 1 — Simple Contracts: Straightforward building works with conventional construction methods. Typically single-storey or low-rise, standard specifications, familiar site conditions, contract value generally below RM5 million. Standard form contracts. Limited specialist sub-contract works.

Tier 2 — Medium-Complexity Contracts: Multi-storey buildings, mixed-use developments, projects with significant M&E components, specialist finishes, or constrained sites. Contract values typically RM5 million to RM30 million. Amended standard form contracts. Multiple sub-contract packages.

Tier 3 — Complex & Difficult Contracts: Large-scale infrastructure, high-rise buildings, unusual structural systems, difficult ground conditions, remote sites, design-and-build procurement, bespoke

contracts. Contract values typically exceeding RM30 million. High regulatory and compliance demands.

CLASSIFYING YOUR TENDER

The tier classification is not solely determined by contract value. A RM3 million project on a remote island with no road access may warrant Tier 3 treatment. A RM20 million project comprising repetitive standard housing on flat, accessible land may be managed at Tier 2. **The classification must be driven by risk, not price.**

Part Three

The Tendering Process: Phase by Phase

The structured tendering process comprises seven phases. Every tier goes through all seven. The depth, formality, and documentation increases with the tier.

Phase 1: Tender Receipt & Preliminary Review

Upon receipt of tender documents, the first task is **not** to open the BQ. It is to conduct a preliminary review of the entire tender package. Log the tender in a Tender Register. Check eligibility (CIDB grade, PUKONSA for Sabah State projects, MOF registration). Identify the form of contract and edition. Note the closing date and calculate available working days. For Tier 2 and 3, prepare a document checklist, research the Employer's background, and for Tier 3, assemble a dedicated tender team and hold a formal Tender Launch Meeting.

Phase 2: Bid/No-Bid Decision

This is the phase most Sabah contractors skip entirely. It requires honest assessment of: financial capacity and cash-flow stress-testing against contract payment terms; current workload and management bandwidth; technical competence for this project type; location logistics (for remote Sabah sites, this is critical); contract terms acceptability; and competition. For Tier 2 and 3, prepare a formal Bid/No-Bid Assessment Form signed by the principal. For Tier 3, conduct a formal risk workshop. **A tender that you cannot deliver profitably is not an opportunity. It is a trap.**

Phase 3: Contract Conditions Study

Read the contract conditions before pricing the BQ. For all tiers, identify the form of contract and any amendments to the standard form. Note: the contract period, extension of time provisions, and LAD rate; the payment mechanism (interim valuations, retention, payment period); insurance and bond requirements; variation and claims procedures; dispute resolution mechanism; and termination provisions. For PAM contracts common in Sabah, understand the respective editions' positions on these matters. For Tier 3, conduct a formal contract risk review.

Phase 4: Site Investigation & Technical Review

For all tiers, conduct a physical site visit. Assess access routes, ground conditions (visual), existing structures, adjacent properties, utilities, and any site-specific constraints. For Tier 2 and 3, prepare a formal Site Visit Report, make authority and utility enquiries (SESB, Jabatan Air, JKR, local authority), and research the employer’s track record. For Tier 3, commission specialist investigations where warranted (soil investigation reports, topographic surveys).

Phase 5: Estimating & Pricing

For all tiers, obtain written quotations from suppliers and sub-contractors. Cross-check BQ quantities against drawings. For Tier 1, pricing may be based on established rates adjusted for current market conditions, but must never be based solely on the Government’s confidential estimate. For Tier 2 and 3, prepare formal rate build-ups for all major items. For Tier 3, prepare a full estimating workbook, cash-flow model, and sensitivity/risk pricing analysis. Always price preliminaries item by item — never as a lump sum percentage.

Phase 6: Final Review & Adjudication

For all tiers, have the principal or director review the tender sum. Verify that all BQ items are priced, check for anomalous rates, and review the profit margin against the risk profile. For Tier 2 and 3, hold a formal Tender Adjudication Meeting with senior management reviewing the estimate, risk register, construction method, and financial viability. For Tier 3, model the impact on the company’s overall financial position.

Phase 7: Tender Submission & Post-Submission

Submit before the deadline — late tenders are rejected. Retain a complete copy of the submitted tender and all supporting records. For Tier 2 and 3, prepare for tender clarification meetings, seek debriefs if unsuccessful, and conduct post-tender reviews to improve the process. Track your tender success rate and reasons for unsuccessful bids.

Part Four

Summary: Minimum Requirements by Tier

“M” denotes mandatory at that tier; a dash indicates not required but remains good practice.

Procedure / Activity	Tier 1	Tier 2	Tier 3
Tender Register entry	M	M	M

Procedure / Activity	Tier 1	Tier 2	Tier 3
Eligibility check (CIDB/PUKONSA/MOF)	M	M	M
Document completeness checklist	—	M	M
Bid/No-Bid assessment (informal)	M	—	—
Bid/No-Bid Assessment Form (formal)	—	M	M
Risk workshop	—	—	M
Contract conditions study	M	M	M
Identification of amendments	M	M	M
Specification review	M	M	M
Physical site visit	M	M	M
Formal Site Visit Report	—	M	M
Authority and utility enquiries	—	M	M
Employer background research	—	M	M
Construction programme (simple)	M	—	—
Construction programme (bar chart)	—	M	—
Construction programme (CPM)	—	—	M
Method statements	—	M	M
BQ quantity cross-check	M	M	M
Written supplier/sub-con quotations	M	M	M
Formal rate build-ups (major items)	—	M	M
Full estimating workbook	—	—	M
Cash-flow model	—	—	M
Sensitivity/risk pricing analysis	—	—	M
Principal/director review of sum	M	M	M
Formal Tender Adjudication Meeting	—	M	M
Dedicated tender team	—	—	M
Tender file retained	M	M	M
Post-tender review	—	M	M

Part Five

Public Sector vs. Private Sector: Key Differences

Public Sector (Government/JKR/JKN) Tendering

Registration requirements are stricter: federal projects require CIDB registration at the appropriate grade (G1–G7) and MOF registration; Sabah State projects additionally require PUKONSA registration. Procurement is governed by Treasury Instructions, Treasury Circulars, and the ePerolehan system. Contract forms are typically standardised (PWD 203A or CIDB Standard Form) but frequently include agency-specific amendments. Evaluation is increasingly structured with technical and financial scoring — the lowest price does not always win. Payment through the Government system involves specific claim procedures and certification cycles.

Private Sector Tendering

Registration requirements are less prescriptive but CIDB registration is expected. Contract forms vary widely — PAM 2006 or 2018 (common in Sabah), CIDB Standard Form, IEM Form, or bespoke contracts that require particularly careful review. Payment risk is fundamentally different: Government payment, whilst sometimes slow, is generally certain; private sector payment depends on the developer's financial health. Research SSM records, check for winding-up petitions, and speak to other contractors. Post-tender negotiation is more common. Statutory adjudication under CIPAA 2012 applies to all construction contracts, public or private.

Part Six

Closing Remarks: Building a Tendering Culture

A structured tendering process is not a burden. It is an investment. It is the mechanism by which a contractor transforms from a business that gambles on every project into one that makes informed commercial decisions. The upfront cost of proper tender preparation — the time spent reading contracts, visiting sites, obtaining quotations, building up rates, and assessing risks — is repaid many times over in projects that are deliverable, profitable, and reputation-enhancing.

The construction industry in Sabah is entering a period of heightened scrutiny. Sick projects, contractor defaults, and financial failures are no longer tolerated quietly. Contractors who build a tendering discipline will not only survive this environment. They will thrive in it. Those who continue to price BQs blindly, to follow leaked estimates, and to hope for the best, will find that the minefields eventually claim them.

“The contractor who understands the contract before signing it will always outperform the contractor who only reads it after something goes wrong.”

ENGAGE PROFESSIONAL SUPPORT

A Consultant Quantity Surveyor (CQS) registered with the Board of Quantity Surveyors Malaysia (BQSM) can assist contractors with tender strategy, rate analysis, risk assessment, contract review, and the establishment of tendering procedures. The cost of professional advice at the tendering stage is a fraction of the cost of a failed project. This is not a sales pitch. It is a statement of professional fact.

Disclaimer and AI Disclosure

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This paper is a discussion document published for general information and guidance. It does not constitute legal, financial, or professional advice. Readers should seek independent professional advice before making decisions based on the content of this publication.

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