

16 August 2019

To: **All cidb Registered Construction Companies;  
Government Departments; Construction Procurement Projects;  
Public Entities; Contractor Associations and Consultants**

## **ADJUSTMENTS TO TENDER VALUE RANGES IN TERMS OF THE CONSTRUCTION INDUSTRY DEVELOPMENT REGULATIONS, 2004 (AS AMENDED)**

### **1. Background**

The cidb Register of Contractors is established in terms of the Construction Industry Development Board Act (38 of 2000) and the Construction Industry Development Regulations, 2004 as amended ('the Regulations'). The Register is an integral component in public sector procurement. The register categorizes contractors based on financial and works capability. It is a macro risk management tool for the public sector, facilitates contractor development and supports the monitoring thereof.

In terms of the Regulations, a contractor is considered capable of undertaking contracts within the range of tender values of the contractor grading designation, in which the contractor is registered. Due to inflationary impacts it is necessary to periodically adjust the range of tender values. This memorandum seeks to explain the tender value range adjustments which were published in Government Gazette number 42561 on 05 July 2019.

### **2. Tender Value Range Adjustments**

The Construction Industry Development Regulations, 2004 (as amended), provides for the Minister of the Department of Public Works and Infrastructure to determine the range of tender values for the purposes of determining the values of contracts that contractors are considered capable of undertaking.

The adjustment will restore market share in various grades with positive spin-offs for contractors to access work opportunities of higher values. The last adjustments to tender value limits was done in 2008. The increase in tender value limits is based on Producer Price Inflation Final Manufactured Goods and calculated over the period since the last adjustment.

The registration criteria qualifying values are based on the tender value limits. In terms of the regulation amendments of July 2013, adjusting the tender value limits automatically results in an adjustment in the registration criteria qualifying values. The adjustments will not affect contractors with active registrations within their three-year registration validity period. It is to be noted that qualifying values are expressed in terms of percentages of the tender value limits. The Rand based values are published by cidb whenever the tender value ranges are adjusted, and values are rounded.

The Table below provides a consolidation of registration requirements reflecting the qualifying criteria:

Grade	Tender Value Limit (TVL) (R)	Best Annual Turnover (R) (2 year) % of TVL	Largest contract(R) (5 year) % of TVL	Available capital (R) % of TVL
1	500 000	-	-	-
2	1 000 000	-	20 %	-
3	3 000 000	50%	22.5%	5%
4	6 000 000	50%	22.5%	5%
5	10 000 000	50%	22.5%	10%
6	20 000 000	50%	22.5%	10%
7	60 000 000	50%	22.5%	10%
8	200 000 000	50%	22.5%	10%
9	N/A	50%	22.5 %	10%

**Note:** There is no tender value limit for Grade 9 therefore a proportional value to the rest of the grades has been used, in order to calculate the qualifying criteria values.

The tender value range adjustments set out in Table 8 of Regulation 17 is amended as follows:

Grade	Current Upper limit of tender value range	Approved Adjustment
1	200 000	500 000
2	650 000	1 000 000
3	2000 000	3 000 000
4	4 000 000	6 000 000
5	6 500 000	10 000 000
6	13 000 000	20 000 000
7	40 000 000	60 000 000
8	130 000 000	200 000 000
9	No Limit	N/A

The following table depicts specific requirements that need to be satisfied in respect of the respective contractor grading designations:

Grading Designation	New Tender Value Limits	50%	22,50%	10%
		Best Annual Turnover	20% for Grade 2	5% for Grade 3 & 4
			Largest Contract	Available Capital
1	500 000	-	-	-
2	1 000 000	-	200 000 00	-
3	3 000 000	1 500 000	675 000 00	150 000
4	6 000 000	3 000 000	1 350 000 00	300 000
5	10 000 000	5 000 000	2 250 000 00	1 000 000
6	20 000 000	10 000 000	4 500 000 00	2 000 000
7	60 000 000	30 000 000	13 500 000 00	6 000 000
8	200 000 000	100 000 000	45 000 000 00	20 000 000
9	No Limit	300 000 000	135 000 000 00	60 000 000

**Note:** For grading designation "3" and "4", the applicant must meet the requirement of the largest contract completed, and at least one of the requirements for available capital or annual turnover.

### 3. Implementation Date and Transitional Measures

The tender value range adjustments will come into effect on 07 October 2019. Contractors whose applications for registration are submitted and received by the cidb before the implementation date will be graded based on the current regulations. Contractors whose application for registration are submitted and received by the cidb on or after the implementation date will be graded based on the new adjustments.

Client departments that advertise construction works tenders prior to the implementation date of the amended tender value range adjustments will adhere to the current regulations for the adjudication, award and management of that particular construction works contract.

Client departments that advertise construction works contracts on or after the implementation date of the amended tender value range adjustments must apply and adhere to the new adjustments for the adjudication, award and management of that particular construction works contract.

### 4. Conclusion

The revised tender value ranges across all grades provides for adjusting the grades to take account of inflationary impacts. These adjustments come into effect on 07 October 2019.

For further enquiries, please contact the following officials:

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Yours Sincerely



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