

Advantages and disadvantages of Consortiums

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Consortiums are often considered as entities to use when responding to tenders in South Africa. The question that arises is whether to use a Consortium or a Joint Venture when responding to a tender. To help you with this we have compiled a list of advantages and disadvantages for both Consortiums as well as Joint Ventures. In this article we list the advantages and disadvantages of Consortiums. Look out for the same article on Joint Ventures.

Consortiums Advantages:

- ✓ Easy to establish as there are no formal procedures that must be followed. Most consortiums are formed in writing by the execution of a consortium agreement. In addition, no capital is required to create the consortium.
- ✓ Members of the consortium can change their contractual agreement at any time to suit changed circumstances.
- ✓ The consortium can be set to expire on a given date or on the occurrence of certain events without any formal requirements.
- ✓ The consortium is not directly subject to taxation; however, the individual members are.
- ✓ Some of the members of a consortium may choose to be 'undisclosed' in dealings with third parties.
- ✓ The cost of running a consortium is usually lower to that of a joint venture.

Consortiums Disadvantages:

- It is difficult for consortium members to restrict or limit its liability. Members may even become liable to third parties for the non-performance of other members of the consortium or the debts of such members in undertaking a common project.
- Third parties will often find it difficult to enter into contract with a non-legal entity like a consortium. Because it is a non-legal entity funding is also difficult.

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Contact us at estelle@howtotender.co.za should you require more information.

You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.