



Procurement Routes

An Overview

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Overview of Principal Routes

- Traditional / conventional design led
- Design and construct
- Management (Fee)

Traditional

- **Client appoints *consultants* to:**
 - Administer contract - certify payment
 - Develop a design based on an agreed budget
- **Client appoints *contractor* direct to:**
 - Organise works programme
 - Establish the site and carry out the work
- **Key issues:**
 - Separation of contractor from design
 - Client reliant on design team for quality of tender documents

Traditional - *Tendering*

- **Single stage**
 - Tenders are usually based on complete design
- **Two stage**
 - Tenders based on partially developed consultant design
 - Contractor assists with final development of design and tender documents
 - First stage tenderer may tender/ negotiate second (construction) stage

Traditional - *Variants*

- **Contractor design portion**
 - Client consultant team completes the design for majority of the works
 - Contractor completes the design balance of the works
 - Used where specialist design input required

When is Traditional Suitable?

- **Suitable for:**
 - All clients, including inexperienced clients
 - A developing brief
 - Complex projects
 - Quality design development
 - Cost certainty
- **Less suitable for:**
 - Fast track (Overlapping of design and construction)

Design & Construct

- **Client appoints Consultants to:**
 - Prepare outline design and employer's requirements

Design & Construct

- **Client appoints *contractor* to:**
 - Complete design and construct the works
- **Key Issues:**
 - Tendering is more expensive and riskier exercise for the contractor than with traditional approach
 - Client has a single point of contact
 - Changes made by client during design stage can be expensive

When is Design & Construct Suitable?

- **Suitable for:**
 - All clients, including inexperienced ones and those who do not want a close involvement
 - Cost certainty
- **Not suitable for:**
 - Projects where client wishes substantial input to detailed design
 - Projects with significant potential for change

Design & Construct - Variants

- **Develop and Construct**
 - Client completes part of the design
 - Contractor finishes the design and the construction
 - Contractor may re-employ the original designers to complete the design
- **Package Deal**
 - Contractor provides an off-the-shelf building
 - Building type often modular so that its size can be adjusted

Design & Construct - Variants

- **Single stage**
 - Contractor's tenders are usually based on an outline design and Employers Requirements
- **Two stage**
 - Tenders based on a partially developed design
 - Contractor assists with further development of design
 - First stage tenderer has the opportunity to negotiate the second stage.

Design & Construct - Variants

- **Two Stage with Guaranteed Maximum Price**
 - Contractor's tenders based on a partially developed consultant's design (Stage 1 tender)
 - Preliminary and on costs agreed
 - Contractor assists with further development of design
 - Defined elements are negotiated and prices agreed.
 - Contractor assess risk associated with design development of remaining undefined elements and GMP negotiated

Management Fee

- **Client appoints consultants:**
 - Develop design with contractor
- **Client appoints contractor:**
 - Paid a fee for managing the construction works
 - Develops a programme for construction, design and tender documents in appropriate works packages
 - Manages work package contractors

Management Fee

- **Key Issues:**

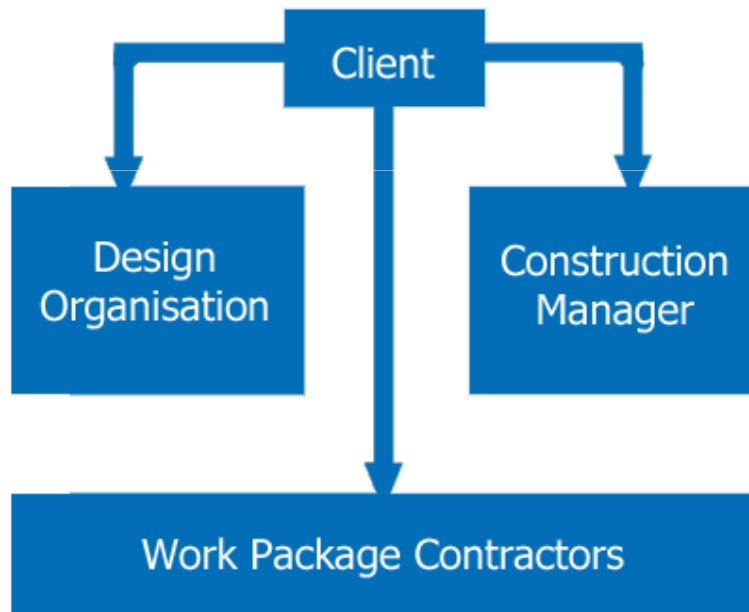
- Contractor brings practical buildability advice during design
- Contractor is reckoned to be more client orientated - more professional - leading to a less adversarial relationship but depends on the contractor's team
- Construction work is carried out by Work Package Contractors
- Design and the start on site often overlaps
- Less price certainty

Management Fee - Variants

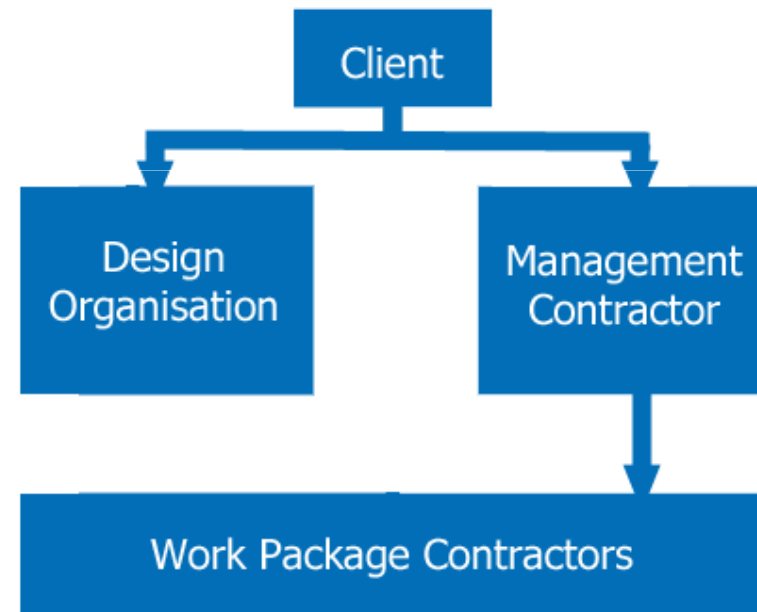
- **Management contracting**
 - Management Contractor contracts with Work Package Contractors
 - Contractor manages the Works Package Contractors and arranges for their payment
- **Construction management**
 - Client contracts directly with Work Package Contractors
 - Contractor manages the Work Package Contractors
 - Client arranges for their payment

Management Fee - Variants

Construction Management



Management Contracting



When is Management Suitable?

- **Suitable for:**
 - Experienced clients
 - Fast track projects
 - Complex buildings
 - Developing brief and constructability advice
- **Less suitable for:**
 - Inexperienced clients
 - Cost certainty before starting construction
 - Client wanting to pass on risk to contractor

Risk Allocation

Speculative Risk
Contract Type

Risk

	Employer	Contractor
DESIGN & BUILD Complete 'Package' by supplier		████████████████████
DESIGN & BUILD Design input by Employer	████████████████████	████████████████████
TRADITIONAL - LUMP SUM Fixed Price		████████████████████
TRADITIONAL - LUMP SUM Fluctuations	████████████████████	████████████████████
TRADITIONAL - MEASUREMENT Bill of Approximate Quantities	████████████████████	
TRADITIONAL - MEASUREMENT Fixed Fee Prime Cost	████████████████████	████████████████████
TRADITIONAL - MEASUREMENT Percentage Fee Prime Cost	████████████████████	
MANAGEMENT CONTRACT	████████████████████	████████████████████

Criteria

- Certainty, risk, complexity, competition
- Time, cost, quality
- Value for money
- Market factors: cost of capital, interest rates, inflation, skills capacity

Procurement Comparison

Comparison of Procurement Methods

	Traditional	Design & construct	Management
Speed	<p>Not the fastest of methods</p> <p>Desirable to have all information at a tender stage</p> <p>Consider two stage or negotiated tendering</p>	<p>Relatively fast method</p> <p>Pre-tender time largely depends on the amount of detail in the Employer's requirements</p> <p>Construction time reduced because design and construction proceed in parallel</p>	<p>Early start on site is possible long before tenders have even been invited for some of the works packages</p>
Complexity	<p>Basically straightforward, but complications can arise if Employer requires that certain sub-contractors are used</p>	<p>An efficient single contractual arrangement integrating design and early construction expertise within one accountable organisation</p>	<p>Design and construction skills integrated at an early stage</p> <p>Complex management operation requiring sophisticated techniques</p>

Procurement Comparison

Comparison of Procurement Methods

	Traditional	Design & construct	Management
Certainty	<p>Certainty in cost and time before commitment to build</p> <p>Clear accountability and cost monitoring at all stages</p>	<p>There is a guaranteed cost and completion date</p>	<p>Employer is committed to start building on a cost plan, project drawings and specification only</p>
Competition	<p>Competitive tenders are possible for all item</p> <p>Negotiated tenders reduce competitive element</p>	<p>Difficult for the Employer to compare proposals which include for both price and design. May be difficult to evaluate for competitiveness</p> <p>No benefit passes to Employer if Contractor seeks greater competitiveness for specialist work and materials</p>	<p>Management Contractor is appointed because of management expertise rather than because his fee is competitive</p> <p>However, competition can be retained for the works packages</p>

Balancing of Criteria

Comparison of Procurement Methods

	Traditional	Design & Construct	Management
Summary	Benefits in COST & QUALITY but at the expense of TIME	Benefits in COST & TIME but at the expense of QUALITY	Benefits in TIME & QUALITY but at the expense of COST

Key Issues

- **Balance of Priorities**
 - Budget
 - Programme
 - Design
- **Constraints**
 - Compliance with regulations and standing orders
 - Approach to risk transfer
 - Incentivisation
- **Potential for Change**