

Procurement issues in construction



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We refer to your management in taking the opportunity to rebuild three of the Cinnamon Grand hotels in South East of the UK, to a better quality and facilities than before they were destroyed by the bad weather and storm.

The rebuild hotels are requiring being in line with the client's policy on architectural significance and aesthetics of the building. The quality of the building is thus a major factor to be considered. As the hotels are situated in the prime location, construction is proved to be a challenge in terms of time factor and accessibility of work.

In phase 1, the completion date is critical as the building require to handover by 28th February 2015 and the operation of the hotels for roofs, guest rooms, restaurant, and swimming pools will be made possible. Time is an essence and a procurement route of saving overall design and construction time is priority. Time saving will enable the client to operate the business on time or earlier, therefore reducing the time of closing down business. The planned construction start date at the site is 1st March 2014, and the planned reopening date is schedule on 1st April 2015. Hence, the actual construction period is last than a year.

In phase 2, new facilities such as dance studios, health and fitness centre, conference and meeting rooms will be constructed for the enhancement of the health and well-being of the hotel visitors. The Interfacing works such as the integration of the services from phase 1 to phase 2, and the new construction works for phase 2, while the hotels is in operation requires good controls and management skills for the complexity of the work.

In consideration of some of the very important points of the above, we have looked into carefully on selecting the most appropriate route to achieve the time, quality and cost of project success.

Analysis of the key procurement issues

When selecting the procurement routes, the following key issues are considered;

Factors outside the control of the project team.

- Client resources
- Cost issues
- Project characteristics.
- Quality and performance
- Risk management
- The need to accommodate changes, variation.
- Time

The client has managed to obtain a substantial finance so as to ensure that the dignity of the building and the services are not compromised from the reconstruction. Hence, the reconstruction quality of the building will not be

hinder by much financial difficulty, but the project will have to work strictly within the budget require, to prevent cost over run.

The client despite been in the market for their experienced at renovation of buildings, do not have an in-house executive who is either experience enough or is able to devote his time for this project. Therefore, it is important to choose a procurement route to avoid the risk and at the same time with the experience of client and their contact, select those contractors whom have the expertise of working with them previously. This will also help in resolving of quality and design issues.

As Cinnamon is highly concerned about project delays and overrun of cost, price certainty at the outset is of great important. Procurement route which enable the client to know the total financial commitment of the project early will provide the solution to this matter. The procurement route can also have guaranteed maximum price to affirm to this.

Time and cost is of most important because of the opening of the hotels for business. The selected procurement route must be able to reduce the time for design and construction. This can be done by selecting a procurement route that enables the design and construction to perform concurrently. Thereby, shorten the overall project duration. Shortening the period of project completion allows the client to operate the hotels and back to business at an earlier date.

As the client's requirement in terms of architectural and aesthetics of the building to be in line with their policy, and also to improve on the quality,

facilities of the new buildings, it will be advisable to consider procurement route that is able to take care of the quality and performance aspect as well.

Procurement route that allows the client to choose and appoint a contractor with architectural merits or director is an architect would be a plus for considerations. “ There is no correlation between procurement method and perceived quality of product.”

Due to the unavailability of an experience in-house execute form the client; risk allocation to the contractor for the selected procurement route is most important. However, this method of procurement may compromise the risk of the design and quality of the project. Therefore, in order to overcome this setback, selecting of a procurement method that conforms to the sets of employer or client’s requirement is necessary and will help in a one way or another.

As the client is use to dealing with construction of hotels, and assuming that the new hotels that are to be built will have most of the base designs from the previously built hotels in place, or having little difference , therefore changes in design may not be significant . The short construction duration may also not allow for many changes, as the client will also have to balance between the desire to changes with the earlier time of project completion for business. Most the time the choice of to be back in business earlier or in time will rule out any desire to changes.

In phase 1, the completion of the key areas in the hotel such as roofs, guest rooms, restaurant and swimming pools is essential for the operation of the hotels . The timing from the start date on site to the completion of phase 1 is

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approximately one year which is a very short period. Hence, a selected procure to reduce the project time is critical, if possible start earlier on the construction stage. This can be done by the procurement route which allows the construction stage to be overlapping with the design stage, where both design and construction of the project progress concurrently. In the phase 2, in order for the hotels to enhance the opportunities for health and well-being of the visitors, the new facilities of dance studios, health and fitness centre, conference and meeting rooms is to be built. Here complexity is an important issue due to the incorporating of the high technology multimedia facilities with air-conditioning. The selected procurement route may need to be base on the employers' requirement which has been incorporated with the name of the specialists. This is one solution of resolving the technical complexity of the project.

Appraisal of the procurement routes and selection criteria

The “ design and build” procurement route will enable the project to be responsible by solely one contractor whom has the control of the design and the construction process in his ability. A single point of responsibility for design and construction in this aspect is to cover the clients' shortfall of an in-house executive who is either experience enough or is able to devote his time to advise on the reconstruction of their properties. As for the Traditional route, the client firm out the whole design with his consultants before construction process begins. The contract is administered by the contract administrator who is normally the clients' consultants. It is advantage if the client is experienced and dedicate his/her time in firming out the design with his/her consultants, which is not the case here. Likewise with the

Management Contracting route, an inexperienced client or “ full time” client will not be suitable as well.

In the D&B procurement route, with the whole packaged of design and construction is responsible by a single contractor, therefore the lump sum contract price of the construction can be firmed up easily on the outset which is required by the client for early cost certainty and avoiding of project cost overruns and delays.

Time is an essence in the project, the undertaking of the design and construction by a single contractor will also enable to reduce the overall project duration in comparing to the traditional procurement route and most of the risk is with the contractor. Design and construction can be concurrently in progress unlike the traditional procurement which is consecutive in its method and has a longer overall project time and construction may start early as the design work proceed in parallel. Shortening of project time means also to reduce the business downtime. On the whole, time and cost saving of project as compare to traditional procurement route.

In the traditional procurement route, the process of procurement is sequential where there is no concurrency. That is, in the preparation stage which is selecting and engaging the consultants to do the Design Brief, follow with the actual design development. Upon confirming the design, the pre-construction stage will kick in to prepare and awarding of the tender. The actual construction stage will only starts after the all the earlier mentioned stages completed and the process of procurement in the preparation, design

and pre-construction is lengthy and the overall construction programme duration is being stretch longer. This route will not be appropriate for this project, as the priority of the project should be given for rapid construction which enables the hotels to be opened for business at a specified date. In the traditional procurement route, the design is completed before the contractors is appointed and therefore the design risk is bear by the client.

Any requirement by the client's policy in terms of its architectural significance and aesthetic requirement, design and build procurement will allow the client to confirm his design during the preparation and design stage and reducing its cost on the design and changes which may happens in the other procurement route such as construction management when the client has to work with too many parties and design changes may be too many from time to time while the construction is in progress , thus resulting in too much additional cost and time spent on the whole. The client's direct controls of the project and his involvement in every item have exposed him to a higher risk than the other procurement route, which the clients have had problems with as they have not appreciate the risk associated with control. The overall duration of the project of such procurement route may become longer and no price certainty can be achieved at the outset.

In the design and build procurement route, the contractor will be the one developing the design and this will somehow have a high design risk imposed on the project. Therefore, in order to mitigate the problem, the develop and construct procurement route can be used. In this case, the client prepares the “ client's requirements” documents and contractors tender with their proposals and the wining contractors will be appointed with

the design content including estimated cost of the project.. In this case the appointed contractor then completes and constructs base on the design. The novation of initial design team is required and thus reduces the risk of the design.

The relationship between the risk of the client and the contractors can be understood for the tabulation of the “ Typical Risk Distribution”.

Proposed procurement

From the analysis of the few types of procurement above, design and build type shall be the most appropriate in terms of the clients’ requirement and the overall project characteristic.

Design and build procurement route is a single point contact and responsibility that fits perfectly for his lack of resources in terms of experience key person to be full time for the project and the risk of the project can be solely with the contractors. There is a provision in the Contractors’ Design 81 for the client to nominate an “ Employer’s agent “ whom can be an independent architect acting on behalf of the client and protect his interest that take care of this shortfall. The design’s liability by the contracted can be extended to include fitness for purpose, which is a great advantage for the client to exercise. The shortening of project duration from using this method of procurement will also enable the project to complete in time or earlier, thus allowing the hotels to be back in business earlier and the return of investment earlier. The client can also directly and easily communicates with the contractors for his needs.

The client has decided to obtain finance of estimated at £120 million shows that there is a fixed budgeted amount for the project. The nature of the damage of the buildings significantly varies and the amount demolition work may not be certain prior to assessment. The contractor in the design and build procurement route can undertake and be a single point of responsibility for this, therefore, providing price certainty of the project at the outset. The integration of the designers and builders produces a more economic building, likewise is the production process. Buildability is also an advantage in this procurement as the contractors involves in the design at an earlier stage. The nature of design and build procurement route will require the client to make changes at their expense of cost incurred, and careful consideration the short duration of the project and cost budget, allowing for changes becomes less important.

The experienced of the client at renovation of buildings will has his network with his pool of consultants, architect, contractors, and hence the client can appoints his consultants to develop the design and novate to the contractors that is awarded for the project. This inherent flexibility is a plus point for this procurement method. In this way, the client is able to adhere and be in line with his policy on the architectural significant and aesthetics of the building. However there is no design overview before consultant is appointed, but this small drawback can easily be resolved by engaging the consultant earlier. This can also overcome the difficulty of the client to prepare adequate brief.

The design and build contractor proprietary may lack the aesthetics appeal, the client is able to see the examples of the products when his proposal are being made. The client is able to visualise their needs more readily in three

dimensions by moving with and “ sampling” an actual building, then by the study the drawings and specifications. As the client are very established in the markets, the contractors may have work with them before, examining and experiencing some of their pass projects may be more easily gauge on the quality to be built.

Conclusion

Design and build is an appropriate procurement route for project requires a shorter time frame with priority on cost certainty. The contractors single point responsibility undertakes the risk for the client while at the same time protecting the interest which is favored by most clients. The design brief must be earlier and well prepared to ensure the clients’ requirement is fully captured with a good design is done. For commercial projects, time and cost is of most important as it means return of investment or business opportunity, to have also the quality and design not compromising in this case is highly commendable in the sense. Other procurement routes may be suitable for projects with different requirements and characteristics on a case to case basis, however design and build is seems to be utmost suitable in this case.