

Examining the various procurement methods available construction essay



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A review is being formed to clearly state and show the trends of construction procurement in the period 2008-2010. The review will mainly be based on industrial journals and other resources such as books, magazines and internet websites.

Procurement describes the mixture of actions undertaken by clients to obtain a building. There are many types of methods in construction procurement however the common types of methods are traditional, design and build and management contracting.

Procurement methods are vital in the construction industry which helps cutting costs of waste and its environmental impacts by clearly defining your requirements and how you expect your chain response.

To profit fully from waste reduction and recovery on a project, enough practice must be adopted at the beginning stage by following the selected procurement process. Few major points would need to be communicated among the clients and contractors such as planned actions, metrics and targeted outcomes. After this is then passed down right through to the design team, subcontractors, waste management contractors and material suppliers. The nature of many project increases the risk which includes, finishing a project which does not meet needs, and also when it's delivered late or costs more than the client's core business. This is where the procurement strategy should balance risks against project objectives at an early stage. Below is a list of points that can be affected:

Cost (cost certainty)

Time (Certainty of completion date)

Quality (Performance)

Importance on only one of the key points could have a negative result upon others. In this case when the correct procurement method is used considering

the type of project the following will be achieved:

Certainty of cost and time which is developed by a architect, however this a slow process also known as the traditional method or design bid build.

Certainty of speed and cost, however this is mainly controlled by the contractor, method known as design and build.

Relative speed for a design developed by the architect employed by the client, cost is uncertain until the end of the project, method known as management procurement systems.

One of many common method of construction procurement which is well recognised in the industry is traditional method. The method consists of architects and the engineers acting as the project coordinators. His or her responsibility is to design the project, and propose the specifications and produce drawings, administrate the contracts, tender the work and manage the project from start to finish. There are direct contractual links connecting the architect's client and the main contractor. Any subcontractors will have a direct contractual link with the main contractor.

The design and build method has become popular over the years which consists of an entire package which is made up of, fixtures, fittings and equipment to create a refined and fully completed functional building. In some cases the design and build method may also include finding of a site, adapting and applying for all required statutory consents. The owner creates a list of things needed for a project, providing an overall insight of the projects purpose. Many design and build contractors shows ideas on how to complete these aims. The owner picks the ideas which are best and hires the right contractor who is suitable for the job. Usually it is not just a contractor but a number of them working collectively. Once a contractor has been hired, they start building the first phase of the project. As they build phase one they design phase two. This is in contrast to a design and bid build contract, where the project is completely designed by the owner. The third method, management procurement systems works as the client performs and active role in the procurement system by entering into separate contracts with the designer, architect, engineer, the construction manager, and individual trade contractors. The client then takes on the contractual role, while the construction or project manager provides the active position of managing the separate trade contracts, and ensuring that they all work efficiently and successfully together.

A management procurement system is often used to speed up the procurement processe and allows the client greater flexibility in design variation throughout the contract. The ability to appoint individual work contractors, separate contractual responsibility on each individual throughout the contract this overall provides a greater client control.

Over the past ten to fifteen years much work has been done on attempting to define procurement paths and master man (1992) provides a good background to some of this work. As the traditional procurement method route came under closer scrutiny other procurement routes developed and as a result means for selection were considered. It is known that procurement methods play a key role in defining and shaping contractual and work relationships between parties involved in the construction process. Therefore a better understanding of those methods and criteria that practitioners use in their selection is a very vital step in outlining our understanding of the issue.

A review of current practices in the UK shows different approaches to the procurement of building projects. A classification of these approaches is extremely complex because there are not clear and generally accepted definitions of what a particular procurement method is.

The public sector's obsessive tick box approach towards letting new work threatens to drive long-established regional firms out of business.

That is the stark warning from Neil Edwards, chief executive of contracts information specialist The Builders Conference, after research showed local firms with proven track-records are missing out on work across the country.

Edwards said: " The present method of procurement by public bodies is restricting recovery and growth in the construction market." The value of tenders bid in August leaped from £1. 8bn in 2008 to £4. 8bn this year, with education accounting for half the sum recorded by the Builders Conference.

" Previously, a roofing contractor could have happily tendered for £200, 000
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contract to replace the roof of a local school. But now that would be in a big multi-million pound framework agreement. A proven experienced local firm wouldn't even make it on to the tender list now. Edwards said that today the whole process is prescribed by a checklist and scoring system, which procurement chiefs cannot use firms that have faultlessly worked for them for many years. He added: " There was a time when procurement professionals were allowed the freedom to innovate and seek out the best way you get a job done. " My fear is that the sector has shifted so far in favour of the major players that, in future, SMEs and even £20m-plus contractors will have no choice but to work as subcontractors."

[http://www.contractjournal.com/Articles/2009/09/18/71780/clients-tickbox-](http://www.contractjournal.com/Articles/2009/09/18/71780/clients-tickbox-mentality-to)
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[bidding-threatens-future-of-local-firms.html](#)

Sustainability is becoming more and more common therefore in the low carbon construction report it was issued by the UK government that 40 per cent of new builds are bought by the public sector. For that reason the government are trying their very best to introduce sustainability in the construction industry. It is alleged that putting procurement into place can help reduce the carbon which helps cut the greenhouse gas emission. It is suggested that using the correct method of procurement and contractual agreements can help cut down to zero carbon building as the same value as a normal building.

Estimated to be in excess of £40 billion a year, local government expenditure on goods, works and services clearly has significant economic, social and <https://assignbuster.com/examining-the-various-procurement-methods-available-construction-essay/>

environmental impacts. Local authorities have long been at the forefront of sustainable development and have gained valuable experience of “ green procurement”

<http://www.idea.gov.uk/idk/aio/1701515>

The government are trying to prioritise the change in public sector procurement. New chief czar industry have quoted “ The adviser, who is set to be appointed in November, will be responsible for securing better value for money, as well as promoting innovation and sustainability.

Rudi Klein, CEO of the Specialist Engineering Contractors’ Group, said the czar should focus on procurement change and “ not be a mediator between government and industry”.

“ We want to move towards procuring construction using a more collaborative, team-working approach,” he told SM. “ This will help reduce industry waste and promote sustainability.”

<http://www.supplymanagement.com/news/2009/calls-for-czar-to-go-public/>

Private Finance Initiative/Public Private Partnership (PFI/PPP) projects signifies different traditions of financing and procuring public sector facilities. The theory behind PPP/PFI is fairly straightforward, if key capital expenditure is not to be funded by direct taxation therefore PFI provides a way forward by enabling assets to be procured off-balance sheet instead of municipality or government body through investment by the private sector.

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The private and public partnership began in the UK and its being undertaken in many countries across the world, and its been used to offer a wide range of facilities, such as bridges, roads, tunnels, schools and hospitals.

PPP/PFI creates a number of legal challenges to accomplish the quality of the assets constructed, to provide security for the investors contributing finance and to allocate responsibilities between participants.

The Dudley Hospitals PFI project led to a £34 million dispute between main contractor and mechanical and electrical sub-contractor in Emcor Drake

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keatingchambers. co. uk/resources/reported_cases/2005/lr_1_ca.

asp”[2005] 98 Con LR 1, and the case was argued in the Court of Appeal by a Keating Chambers team on the issue of the scope of a letter of intent.

Another leading reported case, Midland Expressway Ltd v Carillion

ConstructionHYPERLINK “ [http://www. keatingchambers. co.](http://www.keatingchambers.co.uk/resources/reported_cases/2006/CILL_2317_TCC.aspx)

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uk/resources/reported_cases/2006/CILL_2317_TCC. asp”(No. 2) [2006] CILL

2317, was heard in the Technology and Construction Court and has created

widespread interest and, indeed, concern, amongst those engaged in PFI

projects. The case concerned the construction of the tie-ins between the M6

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and the new M6 toll road. The Court held that provisions in a building contract that restricted a contractor's right to interim payments to a proportion of the employer's entitlement (Equivalent Project Relief) would be unenforceable as when 'pay-when-paid' provisions contrary to the HGCRA 1996. Since such clauses have been widely used in PFI projects, the implications are considerable.

[http://www.keatingchambers.co.](http://www.keatingchambers.co.uk/expertise/contractual/pfi_contracts/default.aspx)

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Sustainability is acknowledged by the government as a key section of good procurement, in 2008 major steps were followed by the OGC to improve their management and governance on the issue. Some departments are on course to be practising sustainable procurement across their business by the end of 2009, the government's target year. Progress has been made and there are initiatives which have reduced environmental impact and saved money.

However, scope for improvement on various categories. Most departments are not routinely complying with minimum environmental standards, and have made limited progress in building environmental considerations consistently into procurement processes, engaging suppliers, and giving their staff appropriate skills and incentives. To accomplish value for money, procurement decisions need to be based on a thorough understanding of costs and benefits and environmental impacts.

Departments are not routinely identifying and quantifying environmental impacts, and opportunities for reducing them. There are other concepts that still need attention like direct economic benefit to the authority from the development.

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