

# PROJECT PROCUREMENT / LECTURE 11

**WHAT IS PROCUREMENT?**

- determining the criteria for the project
- setting the contractual framework
- inviting tenders
- awarding a contract

**CONSTRUCTION MANAGEMENT**

- manages a series of 'trade contractors' for a fee.
- each trade contractor enters into a direct contract with the client, not the construction manager

**MANAGEMENT CONTRACTING**

- the management contractor manages a series of 'sub-contractor' for a fee and enters into contracts with each

**CHARACTERISTICS**

- client engages design consultants to carry out design + documentation (same as traditional procurement)
- management contractor is engaged is engaged by the client under a management contract.
- clients do not undertake the work themselves
- clients are engaged to manage the work of sub-contractors
- management contractor enters into contracts with numerous sub-contractors who actually do the work.

**PROS**

- very early start on site is possible as design + construction phases can overlap to a greater extent than D & C
- individual trade packages may achieve cost reductions (competitively tendered)
- reduces contractors risk
- by reducing the managing contractors risk you reduce the overall cost

**CONS**

- flexibility and ability for client + contractor to make on-going changes can delay project
- when things go wrong, things go VERY wrong
- designers hold responsibility and will bear design and process risks
- final cost of project is unknown until last sub-contract is let

**MANAGEMENT PROCUREMENT**

**DESIGN & CONSTRUCT**

**TRADITIONAL PROCUREMENT**

**PROJECT MANAGEMENT**

- manages the project from its inception, through to design, construction, commissioning + initial operation
- project manager is paid a fee for management services rendered

**CONSTRUCTION MANAGEMENT**

- same as management contracting with one major difference:
- client, and not the CM, enters into numerous trade contracts directly with trade contractor
- CM contracts with the client to provide management services

**TENDER + SELECTION PROCESS**

- identify a preferred tenderer that has the financial + technical capability and other attributes required to deliver the works/services
- request for proposal (RFP)**
- expression of interest (EOI)**
- request for tender (RTF)**
- open tender or selective tender process
- single or multi-stage
- evaluation criteria process

**CHARACTERISTICS**

construction & design occur in parallel

client commissions the consultants to produce conceptual or schematic design to reflect type of facility they want & to confirm budget

client's design is given to contractor

contractor completes design & produces the documentation required for construction

contractor often completes design in parallel with construction

**if contractor does not have design expertise they can:**

- (a) hire their own consultants to finish design
- (b) take over client's consultants through process known as 'novation'

construction is separated from design

client commissions the design consultants to produce full design + documentation

architect invites tenders on behalf of the client

client selects main contractor via competitive tender

client commissions the main contractor to construct what the consultants have designed + documents (fixed price)

most common form of contracting

**NOVATED D&C**

original schematic design proposal is tendered out to contractors

the client novates (assigns) the design contracts that had been let earlier

main contractor accepts the designers

contractor completes design + documentation using novated consultants

contractor accepts full responsibility for design

shifts design risk from client to the contractor post novation

**PROS**

- a single point of design + construction responsibility
- whole process is quicker (design + construction runs concurrently)
- can be some cost certainty as the contract can be let on a fixed cost basis

**CONS**

- client loses control of detailed design (might not be an issue)
- the quality of the design can be compromised
- concept or schematic design can be open to interpretation
- cost can be increased due to design risk and additional insurance prices

**PROS**

- independent design + costing advice provided to the client from consultants
- design certainty + greater cost control prior to awarding a construction contract
- greater control over quality
- most tried + tested procurement method
- widely understood by the industry

**CONS**

- the phases are sequential (one has to finish before the other begins)
- timeframe is relatively long
- the contractor has no (or very limited) involvement in the design process
- can lead to 'buildability' problems
- division between design & construction means everyone blames each other when there is a problem