

CONSTRUCTION : BULLETIN

Construction Procurement Methods

A key decision for any developer client commencing a construction project is how the project should be procured or, in other words, what contractual structure should be adopted.

The two most common procurement methods are “traditional” and “design and build”.

Traditional

The traditional procurement route keeps the design and construction elements of the project separate. The client directly employs both a team of professional consultants to design the project and a contractor to build to that design. An architect or project manager will be appointed to administer the building contract for the client. The contractor has no design responsibility unless the parties agree that he will design a discrete portion of the works.

A key benefit of traditional procurement is that the client has a high level of control over the project because he directly employs each designer and the contractor. This allows the client to keep a close eye on how his requirements for the project are being implemented. Traditional procurement can also provide the client with a reasonable degree of cost certainty, as the design of the project should be largely complete at tender stage to allow the contractor to price for it.

However, since construction cannot begin until the professional team have completed their designs, traditional procurement can take some time. Another potential disadvantage of traditional procurement is that if something goes wrong with the project, the client is likely to have to pursue claims against multiple different parties in order to recover damages.

Design and Build

In design and build procurement, the contractor assumes responsibility for both the design and the construction of the works. The client will usually engage a team of consultants to produce a preliminary design for the project. The design consultants are then typically novated to the contractor so that they can assist the contractor in developing the preliminary design.

The main selling point of design and build is single point responsibility. If something goes wrong, the contractor should be the client’s first and only port of call. However, to guard against the risk of contractor insolvency, the client should take additional security in the form of collateral warranties from novated consultants and sub-contractors.

Design and build projects can be commenced more quickly than those which are traditionally procured because the client can go out to tender with outline design requirements. However, if the client’s requirements are not well developed, the client may be disappointed with the end result.

Although design and build projects can provide reasonable cost certainty due to them often being procured on a lump-sum basis, there is a risk that the quality of the project could be compromised if the contractor’s tender price turns out to have been too low, because this will incentivise the contractor to cut costs.

Want to know more?

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