

Procurement in the Construction Industry – a report by the Chartered Institute of Building (CIOB)

The Chartered Institute of Building:

Our Public Benefit Mission

- The Chartered Institute of Building (CIOB) represents, for the public benefit, the most diverse set of professionals in the construction industry.
2. Our Mission is to contribute to the creation of a modern, progressive, and responsible construction industry; able to meet the economic, environmental and social challenges faced in the 21st century.
 3. We have over 47,000 members around the world – considered the international voice of the building professional.
 4. Members all have a commitment to best practice in construction management.

The importance of procurement

- **This research is both timely and invaluable; 525** construction professionals took part in the survey.
- 87% of respondents believe good procurement is synonymous with a successful project.
- 77% of respondents believe clients do not have a sufficient understanding of construction industry procurement. Should this be up to industry, the clients themselves, professional institutions, Government – or all of the above?
- **Emphasising the importance of procurement is not a new message:**

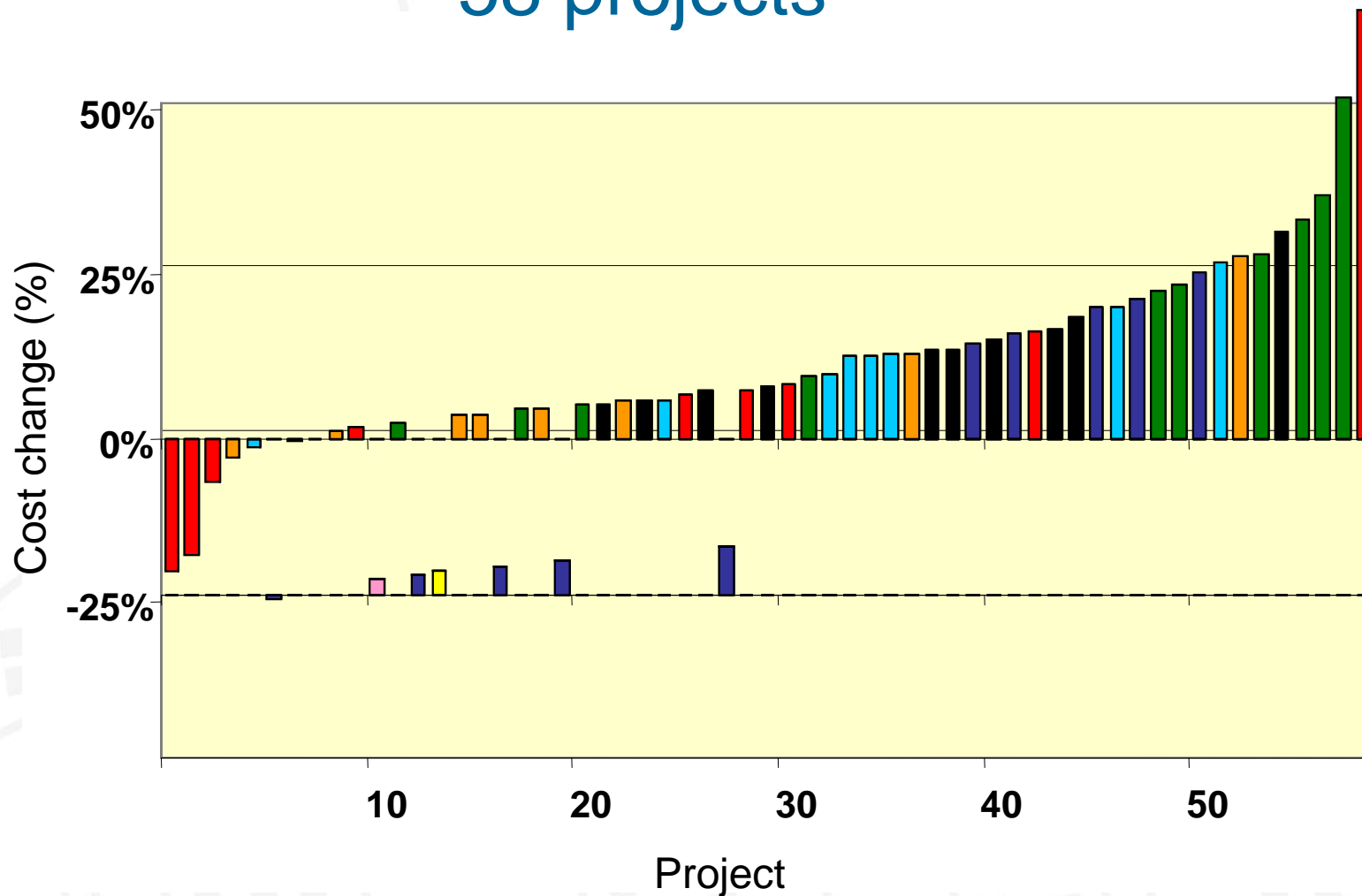
Previous UK Government reports...

- *Constructing the Team* - Sir Michael Latham (1994)
- *The Levene Efficiency Scrutiny into Construction Procurement by Government* (1995)
- *Rethinking Construction* - Sir John Egan (1998)
- *Efficiency in Civil Government Procurement* - the Gershon Report (1999)
- *Modernising Construction* - the National Audit Office (2001)

Cost and time

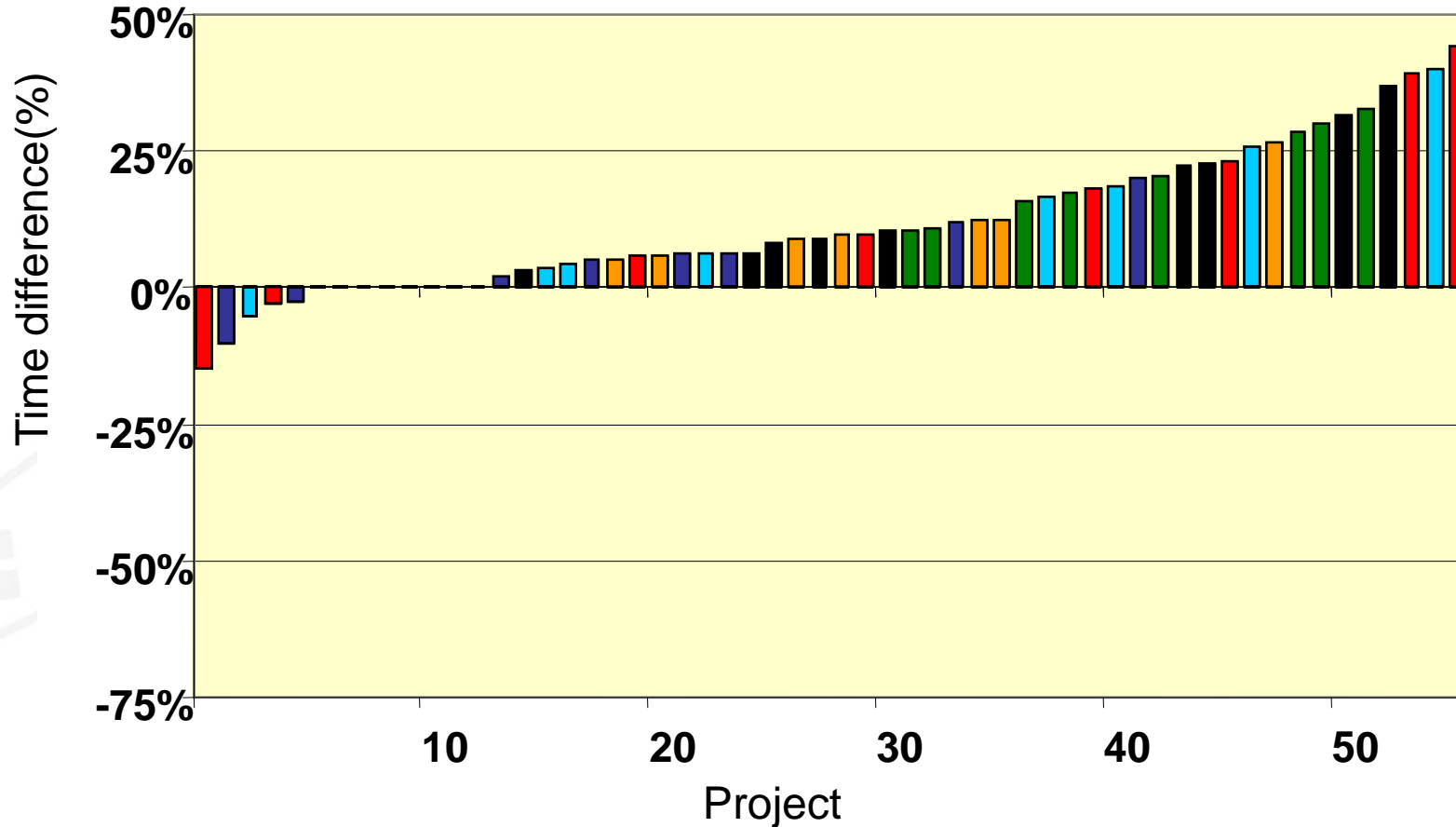
- **Cost:** 93% of respondents have been involved on projects that have overrun on costs. Of those, 56% cited that the procurement method directly contributed to the project overrunning in terms of cost.
- **Time:** 94% have been involved on projects that went over their allocated timeframe; 49% of that figure believe the procurement method directly contributed to the time overruns.
- The CIOB supports research into, and adoption of, innovative methods of procurement. The above suggests current methods are simply not suitable for a modern and progressive construction industry.
- **And this, unfortunately, is not new either!**

Cost compared with tender figure - 58 projects



Ref: University of Bath – commissioned by the Department for the Environment, Transport and the Regions, and the Movement for Innovation (M4I), 1999

Project time outcome compared with contract



Ref: University of Bath – commissioned by the Department for the Environment, Transport and the Regions, and the Movement for Innovation (M4I), 1999

Bidding – Survival or Suicide?

- 82% of respondents believe suicide bidding for contracts exists within the industry.
- While there is no ‘magic bullet’ for this practice, clients can go some way to preventing it simply by not accepting abnormally low bids. The recent cases of Rok, Connaught, and now Apollo undercutting their rivals by up to 20% on a bid, calls into question what constitutes Value for Money.
- **So why do clients still buy based solely on price?**

Spending cuts and procurement

- Unsurprisingly, 78% of respondents believe the Government spending cuts will result in a decrease in available work.
- In terms of procurement, 19% feel that the spending cuts will actually increase the cost of the procurement process, as opposed to 11% who feel it will decrease the cost, despite Government highlighting excessive waste in the process as something that requires action.



**Clients, industry and
government working
together to improve UK
construction**