



Procurement: Design in the dumps

By Steve Hale, 2 September 2011

‘Design and dump’ procurement wastes contractors’ skills, distorts the market and pushes up costs for the client, says Steve Hale. But change is on the way.

Perhaps one of the most inelegant phrases that has attached itself to the doings of the professional team in recent years is “design and dump”. While not quite in the same league as the outright dishonest practices associated with the second hand car sales industry like turning back the mileage clock, it has that whiff of arrogance that shouldn’t be associated with our profession.

Those of us who have been in the industry long enough will remember a much simpler time with traditional procurement and design and build procurement. Under the traditional system, procured projects were designed by the team up to RIBA Stage F - production information. The contractor then built it; if there were errors in the design, the client held the professional team responsible and went for them through its professional indemnity insurance. If we made a mistake, we paid for it.

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The design and build route was equally straightforward, the professional team defined the design criteria, the contractor then designed the building and built it. The contractor was able to influence the design so if it had great design skills, it had an edge in the market as it was able to design out cost to make itself more competitive.

For some reason in many instances we have moved design and build towards a hybrid of this where professional teams are appointed to undertake detailed design to RIBA stage E which then forms the design criteria under a design and build contract and which leads to the “design and dump” practice.

The design is effectively dumped on the contractor. Having no real influence on the design, there is no benefit in the contractor having great in-house design skills as it’s unable to use them to gain a commercial edge. It is simply asked to price into its tender the risk associated of picking up errors in someone else’s design.

You could argue that it's great for us designers; we pick up a similar level of fee to the traditional procurement but offload the risk. However, what does this really do?

- The incentive for us to thoroughly check designs is reduced, thereby increasing the risk of there being errors in our design.
- The client pays a fee for detailed design twice, once to us and once to the contractor.
- The client pays a higher price for the contractor taking the risk, as the risk of error is increased.

And all this at a time when work is hard to come by - surely we should all be working to ensure that the client, whether in the public or private sector, is getting value for money?

Since the Thatcher government made scale fees anti-competitive, clients have wanted to place all of the risk in one place; hence the use of design and build contracts and then, eventually, the hybrid that dominates most of our public sector procurement today.

This is unsatisfactory because:

- Clients inevitably pay more
- It distorts the contracting market place with the contractor having little ability to influence design so there is no benefit for them to have great in-house design capabilities, perpetuating the lack of real research in our industry
- It allows bad professionals to continue to win business by bidding cheaply.

However, we are perhaps on the verge of a sea change. The Construction Strategy announcement in June that seeks to slash public sector construction costs by 20% has project team integration as its central tenet.

And more importantly, one of its proposed initiatives is, in my view, the solution to "design and dump". The government is going to push for integrated project insurance. The parties would give up some of their rights to make claims against each other and the excess would be funded by a pre-agreed share of the pain between the client and the team members. I believe that this will encourage the supply chain to become more fully integrated because they will join the team on the basis that they didn't blame each other.

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