

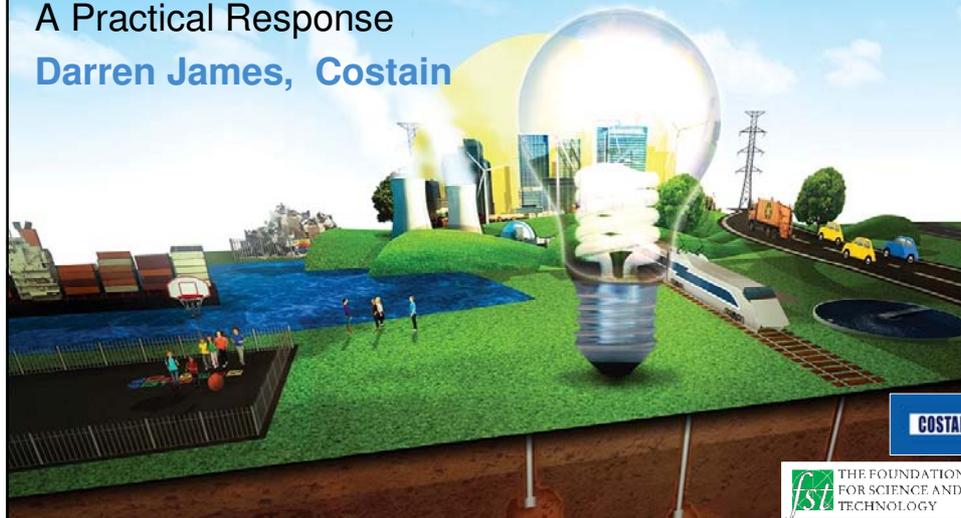
Public procurement as a tool to stimulate innovation

House of Lords Science & Technology Committee



A Practical Response

Darren James, Costain



A Practical Response



Early engagement
by an
intelligent customer
of an
appropriate supplier

will provide the best opportunity
to beneficially introduce innovation
resulting in
optimal value for money

Consistent Message

COSTAIN **fst** THE FOUNDATION FOR SCIENCE AND TECHNOLOGY

HOUSE OF LORDS
Science and Technology Committee
1st Report of Session 2010-12

Public procurement as a tool to stimulate innovation

Report

Ordered to be printed 17 May 2011 and published 25 May 2011

Published by the Authority of the House of Lords
London: The Stationery Office Limited
Lipson

HL Paper 148

HM Government
Low Carbon Construction
Innovation & Growth Team
Final Report

HM TREASURY Infrastructure UK
Infrastructure Cost Review: Implementation Plan

HM TREASURY BIS
The Plan for Growth

HM Government
Never Waste a Good Crisis
A Guide to Reducing Energy, Reducing Carbon and Reducing Waste

CONSTRUCTING EXCELLENCE

Selecting the optimal form of procurement

COSTAIN **fst** THE FOUNDATION FOR SCIENCE AND TECHNOLOGY

		Form of procurement							
		Commodity	Fixed Price Lump Sum (FPLS)	FPLS with Variation Clauses	Two-Phase	Risk Share	Two-Phase with Risk Share	Multi-Phase	Cost plus
Project characteristics	Risk/ uncertainty								
	Open ended								
	Highly uncertain								
	Change inevitable								
	Reasonably foreseeable								
	Minor risk								
Innovation									
New science									
Technology development									
Design concept									
Detailed design									
Smart methods									
Minor									
Supply item									

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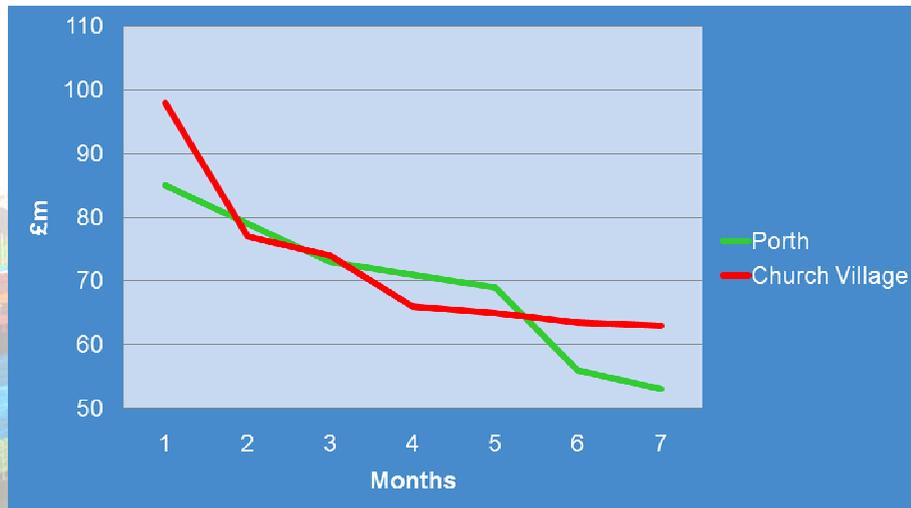
Greater financial strength
Appropriate Procurement
 Lesser financial strength (SMEs)

➔
➔
➔

Contractor Risk Ownership **Client**

Adapted from Gosling, J, Hewlett, B, Naim, M (2011) A framework for categorising engineer-to-order construction projects. Association of Researchers in Construction Management (ARCOM), 5-7 Sept, University of West England.

Early engagement gives best value



Early engagement uses SME expertise



Early engagement allows innovation



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Two practical issues: Risk & Trust

When risk is shared
it creates a collaborative approach
that allows innovation
to mitigate risks
which then do not materialise
in the magnitude
originally feared

