

Dirk von Plessen

The procurement strategies for the
Olympic Stadium and the Aquatic Centre
for the London 2012 Olympic Games

Master's Thesis

Bibliographic information published by the German National Library:

The German National Library lists this publication in the National Bibliography; detailed bibliographic data are available on the Internet at <http://dnb.dnb.de> .

This book is copyright material and must not be copied, reproduced, transferred, distributed, leased, licensed or publicly performed or used in any way except as specifically permitted in writing by the publishers, as allowed under the terms and conditions under which it was purchased or as strictly permitted by applicable copyright law. Any unauthorized distribution or use of this text may be a direct infringement of the author s and publisher s rights and those responsible may be liable in law accordingly.

Copyright © 2009 Diplom.de
ISBN: 9783961162482

Dirk von Plessen

**The procurement strategies for the Olympic Stadium
and the Aquatic Centre for the London 2012 Olympic
Games**

Table of Contents

List of Graphics and Tables	V
Nomenclature	VI
1 Introduction	1
1.1 Background information	1
1.2 Motivation for the study.....	3
1.3 Scope and aim of present work.....	5
1.4 Limitations of the study	6
1.5 Significance of the study.....	6
1.6 Chapter overview	7
1.6.1 Literature review	7
1.6.2 Methodology	7
1.6.3 Data & Results	7
1.6.4 Analysis and discussion.....	7
1.6.5 Summary and Conclusions	7
2 Literature review	9
2.1 Introduction.....	9
2.2 Terminology of construction procurement	10
2.3 Client identity and characteristics.....	12
2.4 Client needs, requirements and project objectives.....	15
2.4.1 Prioritisation of the client needs	16
2.5 Project Risk.....	18
2.6 Procurement Method Selection.....	20
2.6.1 The selection of a procurement method in practice.....	20
2.6.2 The selection of a procurement method in theory	21
2.7 The Selected Procurement System.....	25
2.7.1 The Procurement Method.....	25
2.7.2 The Contractor Selection.....	29
2.7.3 The Type of contract	31
2.8 Research Framework	34

3	Methodology.....	35
3.1	Introduction.....	35
3.2	Data required.....	35
3.2.1	Primary data source.....	35
3.2.2	Secondary data sources	36
3.3	Primary Data Collection Methods	36
3.3.1	Sampling procedure.....	38
3.3.2	Conducting Interviews	39
3.4	Data Analysis.....	40
4	Data & Results	41
4.1	Introduction.....	41
4.2	Primary and Secondary Data Results.....	41
4.2.1	The Project	43
4.2.2	The Client.....	44
4.2.3	The Procurement Method selection.....	46
4.2.4	The selected Procurement System.....	47
5	Analysis and Discussion	51
5.1	Introduction.....	51
5.2	The client	51
5.3	The selection of the procurement method.....	52
5.4	The selected procurement system	53
5.4.1	The procurement method.....	53
5.4.2	The contractor selection	55
5.4.3	The chosen form of contract.....	56
6	Summary and Conclusion.....	58
7	Bibliography.....	61
8	Appendices	70
	Appendix 1 - Interview Schedule	70
	Appendix 2 – Interview Invitation Letter	71
	Appendix 3 – Quotation references - The Project	72
	Appendix 4 – Quotation references - The Client	76
	Appendix 5 – Quotation references - The Method Selection	86
	Appendix 6 – Quotation references - The Selected Procurement System	89

List of Graphics and Tables

List of Graphics

- Graphic 1-1:** The Olympic Stadium
- Graphic 1-2:** The Aquatic Centre
-
- Graphic 2-1:** Elements of a procurement strategy or system
- Graphic 2- 2:** Tension Triangles
- Graphic 2-3:** Contractual relationship between parties in a Design & Build contract
- Graphic 2-4:** Contractual relationship between parties in a Novated Design & Build Contract
- Graphic 2-5:** Theoretical research framework
-
- Graphic 4-1:** Initial assessment of available procurement options for the main venues in the Olympic Park (ODA 2005)

List of Tables

- Table 2-1:** List of “key determinants” for procurement suitability and their relation to the main project criteria time, cost, and quality
- Table 2- 2:** Overview of Procurement systems used for the Olympic Stadium and Aquatic Centre.
- Table 4-1:** Conceptual categories and their relevant sub-categories

Nomenclature

ODA	–	Olympic Delivery Authority
CLM	–	CH2MHill, Laing O’Rourke and Mace
OGC	–	Office of Government Commerce
NAO	–	National Audit Office
LOCOG	–	London Organising Committee for the Olympic Games

1 Introduction

The introduction of this thesis details the background information to the subject area, my motivation for the study and the research objectives. It also defines the limitations and the significance of the study and finally, an overview of each chapter is presented.

1.1 Background information

The International Olympic Committee announced on the 6th July 2005 that the Games of the 30th Olympiad in 2012 will take place in the city of London.

Three years later, a lot of preparation work has already been done to get London ready for hosting the world's most prestigious sporting occasion. Over 192 buildings have been demolished, one million cubic metres of soil excavated, two six kilometre tunnels and 200km of cabling are completed, and most of the contractors for the new sporting facilities are appointed.

The Olympic Park will be at the centre of this large development project and spans two million square metres of the Lower Lea Valley in East London. Most of the new build venues and sporting facilities will be sited here; amongst them are the two flagship venues the Olympic Stadium and the Aquatics Centre.

At the heart of the park will be the Olympic Stadium. The brief for the stadium published by the Olympic Delivery Authority (ODA) outlines the venue as a spectacular 80,000-seat arena for the Olympic and Paralympic games, which is to be designed to host the athletics competitions and the opening and closing ceremonies. The masterplan for the stadium calls for the conversion of this structure into an athletics-led venue with capacity for 25,000 spectators after the games.



Graphic No 1-1: The Olympic Stadium for the London 2012 Olympics (Building 2008)

The Aquatic Centre, to the southeast of the park, contains two 50m pools and a 25m diving pool with seating for approximately 20,000 people. After the games, the capacity will have to be reduced to 3,500 seats and the centre's facilities made available to the local community. The building will then have to house a new health and fitness centre as well as facilities for nearby sports clubs.



Graphic No 1-2: The Aquatic Centre for the London 2012 Olympics (Building 2008)

The construction and operation of these sports facilities for the Games will be undertaken by the London Organising Committee of the Olympic Games (LOCOG). The delivery of the venues in time, within budget and to the required standard, however, is the responsibility of the Olympic Delivery Authority (ODA). The ODA is a non departmental public body and acts in essence as the delivery organisation for all the construction activity.

1.2 Motivation for the study

The rather difficult task which the ODA is facing is to deliver the above-mentioned facilities to an immovable deadline, to stay within budget, and at the same time to deliver the venues with astonishing design and build quality. These are the main criteria against which the success of this project will be measured.

Additionally, this enormous project is exposed to great political pressures and regulations. EU & National regulations for procuring the venues apply and commitments such as 'Value for Money' are to be considered by the ODA when making its procurement decisions.

With this in mind, the ODA have decided to procure the Olympic Stadium and the Aquatic Centre under the Design & Build route. For both venues the ODA has announced to use the New Engineering Contract (NEC) target cost contract.

Based on these procurement decisions and on the comments made by Tessa Jowell, the Olympics Minister, that the main schemes in the Olympic Park will not be design-led a debate has started between leading architects and the ODA. The argument is about the role of the design in the procurement of the Olympic venues and the way the ODA goes about selecting its preferred contractors.

Jack Pringle, the RIBA president, states that the use of Design & Build contracts would compromise the quality of design (Building 2006). He openly criticised the ODA strategy for the use of Design & Build contracts and said that "It is important that the process is not contractor-led, the crude old Design & Build....let's not sacrifice games excellence on the altar of the crudest form of reliable delivery" (Building 2006). Jack Pringle further argues that the ODA is acting too cautiously and by putting risk factors ahead of design at this early stage does not show a great deal of confidence (Building 2006).

In addition, Lord Rogers declares that the Design & Build contracts will lead to venues without design flair. He claims, "Every Olympic Stadium I can think of went through a design-led procurement process and I don't know why London is not doing the same. There is no proof that Design & Build contracts are cheaper in terms of value." (Sherwood 2006)

The other unpopular decision made by the ODA was to scrap the shortlist of contractors for procuring the Olympic Stadium and to go with only one bidder. The original plan for procuring the stadium was to select a preferred contractor via a short list of 3 to 6 bidders, which would help the ODA to work out the design and scope of the project.

However, the ODA decided not to go with this shortlist. Many consultants argue that this procurement decision will not only lead to a compromised design for the stadium but also to raising costs due to the absence of competition.

When looking at the procurement process for the Aquatic Centre a similar situation can be found. Despite the fact the ODA entered into a competitive dialogue with a short list of three contractors, two of them have abandoned the negotiations before any tenders could be submitted, leaving the ODA again with only one bidder for this project.

Matthew (2006) supports the above argument concerning costs by saying that it is unimaginable that London will not deliver the Olympic venues and infrastructure in time. He suggests that the real risks faced by the ODA are cost, quality and functionality and says that “Cost escalation is one of the biggest single risks. Experiences of other games and similar events indicate that as time progresses, increasing volumes of resources have been applied to overcome obstacles and costs have risen accordingly.” For that reason, not having any competition in terms of price and quality seems to be a controversial decision in what is regarded one of the largest and most complex construction projects in the UK.

An auditor of the National Audit office (NAO) also shares the concerns about rising costs for the infrastructure spending in the pre-games period and says that uncertainty remains over price inflation and how much contractors will charge for the construction of the venues (NCE 2007). The Public Accounts Committee report, published in April 2008, agrees with the above and suggests that contracts should have been awarded based on effective competition between suppliers (NCE 2008).

This debate about rising costs is not unfounded under the light of the development of the total budget for the Games in the recent past. The overall budget for the Olympic Games submitted with the bid to the International Olympic Committee (IOC) was £2.4bn, back in 2004. The figure then rose to £6bn just one year after the games were