

Original Paper

Research on the Management of Project Cost which Project Owners Are in Charge of

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Received: April 14, 2018

Accepted: May 18, 2018

Online Published: May 23, 2018

doi:10.22158/rem.v3n2p139

URL: <http://dx.doi.org/10.22158/rem.v3n2p139>

Abstract

With increasingly fierce market competition today, it is the goal of every constructor to reduce the production cost of construction products, improve economic efficiency and achieve good investment effect. Therefore, it is very important to strengthen the control and management of project cost.

Keywords

project owner, project cost, management

1. Introduction

Project cost refers to the construction price of a project. For project owners, the meaning of project cost is the expected expenditure or actual expenditure in a project. Construction of a project has the characteristics of long period and frequent change of the price of production factors. These characteristics make the project cost complex and changeable. Therefore, project owners should run through the whole process of the construction of a project, including the decision stage, design stage, bidding stage and construction stage.

2. Project Cost and Its Characteristics

Generally the project cost includes the cost of building engineering, installation engineering, and equipment purchase as well as other related fee. It is also the total investment of a project. The goal of the project cost control should be dual. In the whole process of engineering construction, people's experience and knowledge are limited in a certain period of time. The understanding of things in the future is often influenced by scientific conditions, technical conditions and the limitation of market information. Therefore, people can't set up a scientific and unalterable goal of project cost control at the start of a project. People can only set up a general goal of control. It is the investment estimation.

Then, with the practice of engineering construction, the goal of cost control becomes clear and accurate. It includes the design budget, construction drawing budget, contract price, completion settlement and completion settlement. This indicates that the recognition and determination of the cost target is a dynamic process which is constantly deepened and clear with the progress of engineering practice.

3. Existing Problems in the Management of Project Cost

At present, despite the quota management system of huge budget, there are strict and detailed regulations in the calculation of cost in each stage. But as the pricing basis the quota of cost is static and rigid. Its lagging characteristics can't reflect the changes of markets. So it leads to the deviation of the price of building products and its value. It doesn't play the role of reasonable determination and control of project cost. How to fit the market bidding information and combine the market quotation to activate the quota and the activation standard is the key, so that it can affect the project valuation of the actual situation. Therefore, it is necessary to establish the shared system of cost information and standard management in the whole society.

In recent years, the competition of construction market is increasingly fierce. The construction party races to keep the prices down to win the bid. Due to the competition of low price, most contractors' profits are reduced. For making up for losses, they reduce the cost by hook or by crook and increase the change of design and on-site visa. As a result, it makes the quality and safety of the engineering become not optimistic.

4. Countermeasures and Suggestions for Strengthening the Management of Project Cost

4.1 Establish the Constraint Mechanism and Regulate the Market of Engineering Construction

In order to improve the current situation of market competition in engineering construction, firstly we must strengthen macro-control and improve the legal construction. The government should strengthen the macro management of the project market and continue to improve the management methods of building construction enterprises, the bidding law, the construction contract law and the quality management law. Secondly, we must standardize the bidding market of project. The department of bidding management should supervise the activities of the bidding and tendering according to the relevant provisions and review the project base and the bidding process of the project strictly to maintain the healthy development of the bidding work. The contracting unit shall not undertake the project as a competitive means. Private bidding is also prohibited. Finally, we should strengthen the contract management of project construction. The relevant personnel of project construction should strengthen the legal consciousness, conclude the contract according to law and strictly regulate the contract management. When entering into a contract, the standard text should be used as far as possible to prevent some unfair terms. The logic of contract terms should be carefully studied. We should strive to distinguish the responsibility according to the principle of power and obligation and seeks for fair and lawful rights and interests.

4.2 Improve the Investment Principal Responsibility System of Project Construction

In view of the current status quo that the investment subject of project construction has not yet formed, we should improve the main body responsibility of investment as soon as possible. We should strengthen the constraints of investment subject and build responsibility restraint mechanism in line with market economy. In the whole process of project construction, the proprietor runs through the whole process of construction and the construction process is inseparable from the participation of the owner. As a result, the owner's behavior plays an important role in engineering construction. So various government departments should regulate and constraint the owner's behavior in the construction phase with the laws and strengthen the construction general contracting function. The subcontract works which the construction unit arranges shall be strictly prohibited.

4.3 Implement the Management of Project Cost in the Whole Process

The management of project cost should be combined with the basic management procedures of engineering construction. Project owners should monitor the whole process to ensure that investments can get good economic and social benefits. Firstly, project owners should strengthen the management of project cost in the investment decision-making stage. The cost control in the investment decision stage should achieve the optimal investment portfolio, produce the biggest economic benefit for the purpose, carry out the complete and scientific risk analysis and formulate the corresponding risk countermeasures. They can use risk avoidance, risk control, risk transfer and other means to minimize the risk loss. Secondly, project owners should strengthen the management of construction cost in the design stage. On the one hand, in the design phase they should implement the system of engineering design bidding and proposal competition and make design units improve their management. They can use advanced technologies, optimize the designs and improve the quality of designs to reduce the project cost and improve the investment returns. On the other hand, they can promote quota design. Under the premise of guarantee function they should strictly control the unreasonable change and ensure that the budget can play the role of control so as to ensure that the total investment can't be breached. At the same time, project owners should vigorously promote the system of design supervision and give play to the coordination and restraining function of the supervision unit as a third party so as to promise the goal of design optimization. Thirdly project owners should focus on the bidding stage of cost management. In the bidding stage they must enact the bill of quantities which meets the requirements of the tender specification. Each content and requirement of the projects shall be formulated as accurately and completely as possible to reduce the provisional items so as to strengthen the control of project cost and prevent the increase of cost.

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