

YOUR COMPANY NAME

Contract 101 – Boot Camp

By

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DATE:



Agenda

1. Safety Moment
2. Introductions – Name, Title, Responsible for.....
3. Purpose/Objective of ‘Contracts 101’ or ‘Contract Boot Camp’

Contracts 101

4. Contracts Strategies and Types
5. Why this form of contract?
6. Interfaces
7. Roles and Responsibilities

The Contract

8. Scope – What’s in and What’s out and Interfaces
9. Prime – What does it mean?
10. Agreement – What does it mean?
11. General Conditions – Key Clauses: Definitions, Insurance, Schedule, Liabilities, Warranties and Guarantees, Changes, LD’s and Penalties or Risk/Rewards if any, Holdbacks, Force Majeure, Payment (cash positive or negative?), Prime Contractor (Yes or No)

Agenda (Cont'd)

12. Appendices

- A. **Scope of Work – Execution Plan, Responsibility Matrix, MTO Summary, Site Materials Management, Preservation, RACI for SWS, Prime**
- B. **Invoicing and Payment Procedures – Advance Payment; Payment Method; True-up Process; Basis of Estimate; Rules of Credit; Construction Indirects - Division of Responsibility; Method of Measurement; Extra Work;**
- C. Travel Policy
- D. **Project Execution Plan**
- E. Personnel
- F. HSE Policy
- G. Contract Master Schedule
- H. Forms
- I. Approval Matrix
- J. **Liquidated Damages & Incentive Bonus**
- K. Parental Corporate Guarantee
- L. Turnover Documentation Deliverables

13. Questions and Answers



2. Introductions & Objective

Introductions:

- ◆ Name, Title, Responsible for.....

Purpose:

- ◆ Inform the team about contract strategies and types
- ◆ Provide details about the major construction contract

Objective

- ◆ Provide an opportunity for Project Team Members to increase their knowledge about contracts and contract management
- ◆ Improve our execution of projects
- ◆ Minimize execution risk to the company

What are your personal objectives for this session? 

Contract 101

or

Contract Boot Camp



4. Contract Strategies

What generally impacts your Strategy?

- ◆ Client preferences – normal business practice
- ◆ Market conditions – hot market or competing projects
- ◆ Contactor availability – Can you secure a competitive bid?
- ◆ Technology / Licensors – Licensor agreements
- ◆ Location / Country Risk – Alberta vs. overseas
- ◆ Local Conditions – What are local requirements?
- ◆ Project Phase – What phase are you in?
- ◆ Schedule – ‘Fast track’ or ‘Normal’
- ◆ Willingness of the Parties to take on Risk – who is best to manage the risk?



Issues Impacting Contract Strategy

Item	Lump Sum	Reimbursable
Scope Definition*	Good	Poor
Market Condition	Slow	Busy
Owner Participation	Low	High
Owner Control	Minimum	Tight
Owner Risk	Low	High

*** Frozen and No Change**



Contract Strategies

**Who Carries Quantity Risk ?
Who Carries Productivity Risk ?**

Less Risk to
Owner



- Lump Sum (or Fixed Price)
- Guaranteed Maximum
- Unit Rates
- Cost plus Fixed Fee
- Cost plus Incentive Fee
- Time & Materials (T&M)

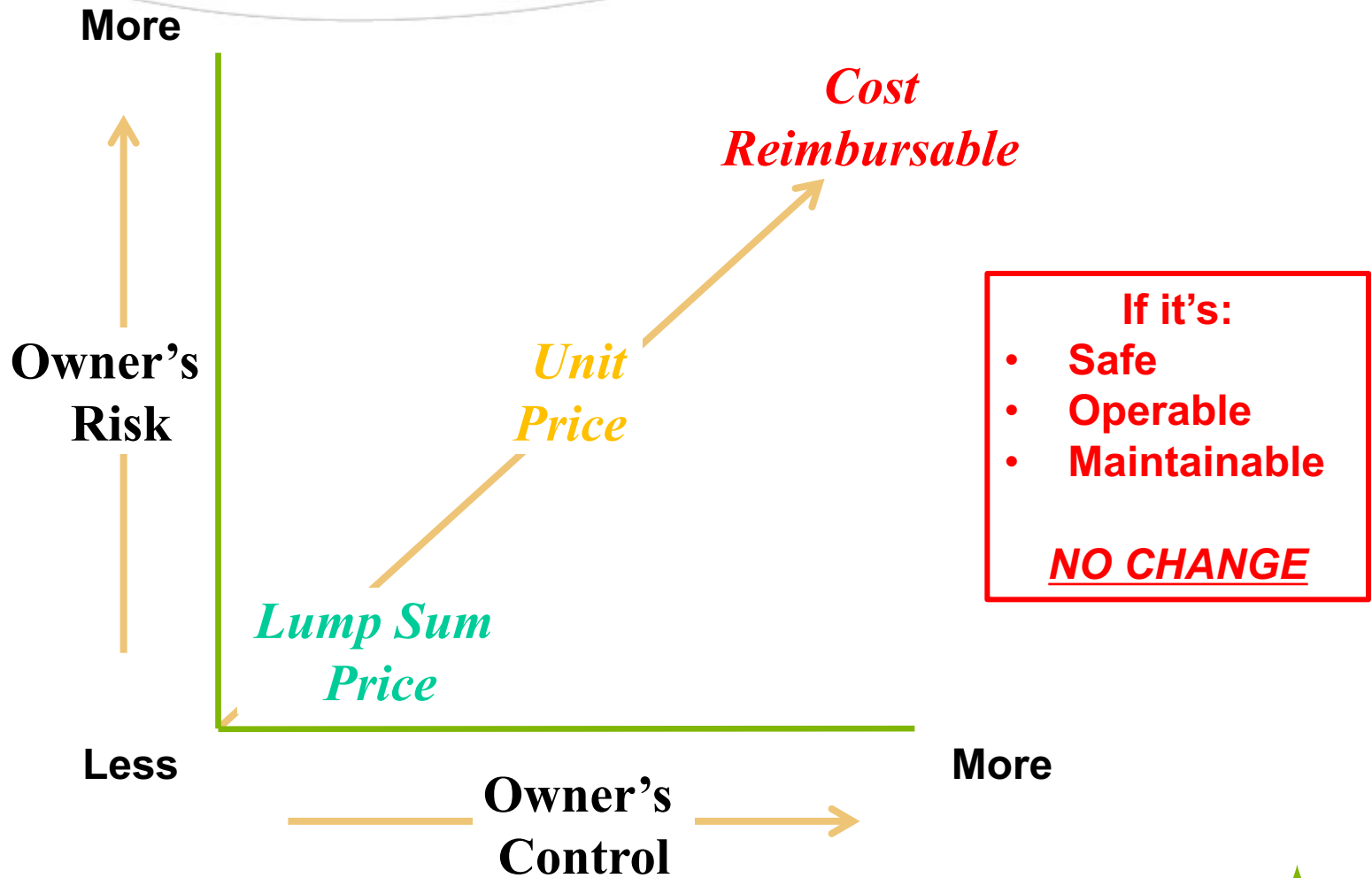


Another alternative
Converted Lump Sum

Greater Risk to
Owner



Contract Strategies



CONTRACT COMPENSATION – EPC

Cost Reimbursable	EPCM	Equipment & Materials	Construction	Owner Risk
Lump Sum Services				
LS Services, Equipment and Materials				
Lump Sum Turnkey	EPCM	Equipment & Materials	Construction	

Convertible Lump Sum

Owner and Contractor share the risk for services, materials and construction

Bid Cycle

- EPC Lump Sum Request for say \$500 mill
 - RFP to Submitting Bid - How long ? – **Minimum 4 months – 6 preferred**
 - Cost of the bid ? – **at least \$1 million likely +\$2 million**
- Lump Sum Construction
 - If Quantities NOT provided – **Minimum 3 months**
 - If quantities provided – **Maybe 2 months**
- Unit Rate Construction
 - Package preparation is significant!
 - Quantities are provided – **Less than 2 months**
- Converted Lump Sum
 - Depends on structure of Package - % margin or fixed margin
 - Could be - **Minimum 1-2 months**
- Bid Award By Company – evaluation to execution
 - Expect 2 months?
 - Actual 4-6 months?



6. Interfaces – A Major Challenge

Outline Interfaces for the Project and the accompanying Risks



Interfaces – A Major Challenge

Use a Graphic to explain the interfaces



7. Roles and Responsibilities

Provide a description of the roles and Responsibilities of the key players such as;

- Project Director
- Project Manager
- Construction Manager
- Contract Manager



Construction Contract for the “XYZ” Project

Contract Boot Camp

This is then followed by several slides covering the detailed key clauses in the contract and what they mean – #8 to #11 of Agenda !

Learnings

Summarize the major learnings or issues of the contract



13. Questions and Answers

Any further questions?

What else do you need?

Thank You !

