


**FIG** 

**FIG** **MUNICH 2006**  **XXIII International FIG Congress**  
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**CONTRACTING  
 IN THE GLOBAL MARKET PLACE**

Geoffrey SCHMITT, United Kingdom

**go4construction**   
 Supply Chain

**FIG** **Geoff Schmitt** FRICS FInstCES FCI Arb 

- Dispute Resolution Consultant
- Expert Witness – Overseas civil engineering projects
- Over 40 years experience in the construction industry
- 15 years living and working overseas
- Developer of two multilingual websites
  - go4constructionjobs.com
  - go4construction.com - Global Supply Chain Directory

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**FIG** **Major Projects** 

- Yellow River Hydro Electric Scheme in China
- Hong Kong International Airport

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**FIG** **Mission Statement** 

- To understand contracting in the global market and thus correctly position your company in that global market both in the present and in the future




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**FIG** **Potential Target Locations** 


- Potential Targets
  - Eastern Europe
  - Central Asia
  - Middle East
  - Indian Sub-Continent
  - Asia including China
  - Africa

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**FIG** **Paper Summary** 

- Key drivers on International Projects
- Main types of Contract
- Factors for Decision to Bid
- Establishing a Local Presence

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## KEY DRIVERS



- Sources of Projects
- The Main Players – roles and relationships
- World Bank/EBRD/ADB
- Political Influence
- Role of Specifiers/Designers
- Various Procurement and Funding Strategies



## Sources of Projects



- International Aid – *World Bank, EBRD, ADB*
- Inter - Governmental Aid - *JICA*
- State Owned Enterprises – *Oil, Gas, Power*
- International Corporations – *IBM, Glaxo*
- International EPC Contractors – *Bechtel, Fluor*
- Utilities
- Banks/Institutional Investors
- Governmental Agencies – *Transport, Health, Education*



## Main Players



- End User
- Clients
- Funding Agencies
- Funders
- Contractors
- Consultants
- Specialist Contractors
- Suppliers



## Multi-Lateral Organisations



- World Bank
- IFC
- EBRD
- DFID
- ADB
- OJEC Notices
- World Bank Notices



## Credit Guarantees



- EXIM
- ECGD



## Strategic Role of Specifiers/Designers



- Supply Chain
- Partnering
- Confidence
- Design Assistance
- Innovation
- Research and Development





## Alternative Procurement and Funding Strategies



- Traditional
- Design and Build
- Turn Key EPC
- Financed
- Cost Plus (Management/CM/Target Cost)



## MAIN FORMS OF CONTRACT



- FIDIC
- EPC
- ICE
- JCT
- PFI
- PPP
- ECC
- BOT
- DBFO



## Main Forms of Contract



- FIDIC - Federation Internationale des Ingenieurs Conseils
- EPC – Engineering Procurement Construction
- ICE – Institution of Civil Engineers
- JCT – Joint Contracts Tribunal
- PFI – Private Finance Initiative
- PPP – Public Private Partnership
- ECC – Engineering and Construction Contract
- BOT – Build Operate Transfer
- DBFO – Design Build Finance Operate



## Main Types of Contract



- Traditional
- Design and Build
- Turn Key - EPC
- Financed
- Cost Plus
  - Management Contracts
  - Construction Management
  - Target Cost/Cost Plus



## Traditional Contracts



- FIDIC – Construction (Red Book)
- ICE
- JCT
- ECC



## Design and Build Contracts



- FIDIC – Plant and Design Build (Orange Book)
- JCT Design and Build





## Design and Build/EPC



- The difference between Design and Build and EPC



## Turnkey Contracts



- FIDIC – EPC Turnkey Projects
- EPC
  - Power
  - Process
  - Oil and Gas
- Design Input



## LNG Gas Plant



- LNG Gas Plant
- Bonny Island
- Nigeria



## Financed Contracts



- PFI – Private Finance Initiative
  - MOD, Hospitals, Schools
- PPP – Public Private Partnership
  - Light Rail, Trams
- BOT – Build Operate Transfer
  - Toll Highways, Bridges
- DBFO – Design Build Finance Operate



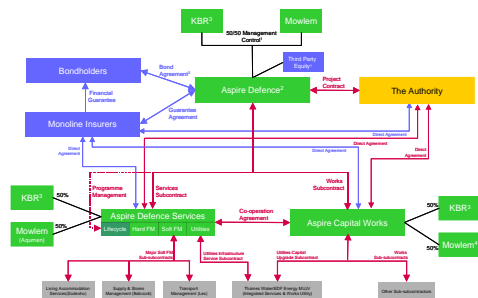
## Financed Projects



- Proposed Stadium in Ireland - PPP
- Channel Tunnel - DBFO




## PFI Contract Framework




**FIG** Management Contracts 


- Construction Management
- Management Contracting





**FIG** Target Cost Cost Reimbursable 


- Employer and Contractor share in loss or profit – Pain/Gain
- Used by Water and Electric Utilities
- 5 year framework agreements



**FIG** DECISION TO BID - 1 


- Client Relationship
- Third Party Relationships
- Sources of Funding
- Countries of Origin
- Competitors
- Guarantees



**FIG** DECISION TO BID - 2 

- Legal Framework
- Payment Terms
- Local Business Requirements
- Local Customs
- Agents/Representatives
- Design Responsibility
- Risk Profile




**FIG** Legal Framework 


- Form of Contract
- Law of the Contract
- Contract Language
- Location for Dispute Resolution
- Bonds and Guarantees
- Warranties
- Payment Terms






**FIG** Establishing a Local Presence 

- All governed by Country Rules
- Local Partner – JV/Association
- Office
  - Subsidiary
  - Branch
  - Representative
- Taxation
- Withholding Tax





## Establishing a Local Presence



- Remittance
- Personal Taxation – local/alien
- Visas and Work Permits
- Registrations
  - Securities and Exchange
  - Internal Revenue
  - Social Security
  - Trade Office



## Local Information



- Embassies
- Chamber of Commerce
- Trade Associations
- Contractors
- Consultants
- Suppliers
- 19<sup>th</sup> Hole



## Contracting in the Global Market



- Geoffrey Schmitt
- United Kingdom
- [g.schmitt@btinternet.com](mailto:g.schmitt@btinternet.com)
- Copies of Presentation

