



Risk Management of Contaminated Sediments

Theme - Contract Management

Hotspot 3, Göteborg

2012-11-14

Jonny Bergman

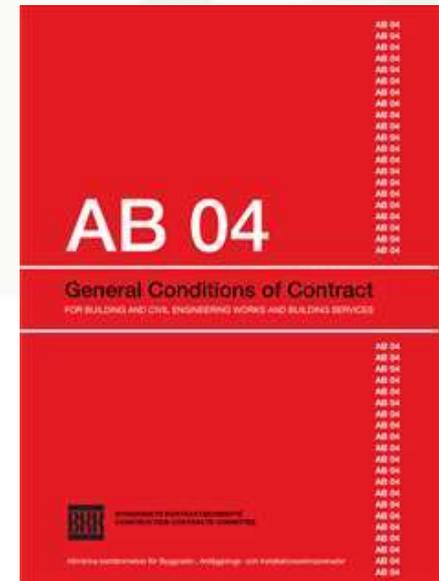


Corner Stones in the Swedish standard contract system:

- The party presenting information is responsible for the accuracy of the information.
 - All unknown conditions is the clients responsibility.
 - All that is to be included in the contract have to be possible to measure and calculate in monetary terms.
- Lump sum contract with unknown conditions is therefore generally not accepted. The reason is to give repeat clients lower cost since the risk for the contractor is limited and do not need high risk compensation (= lower cost in the long run).

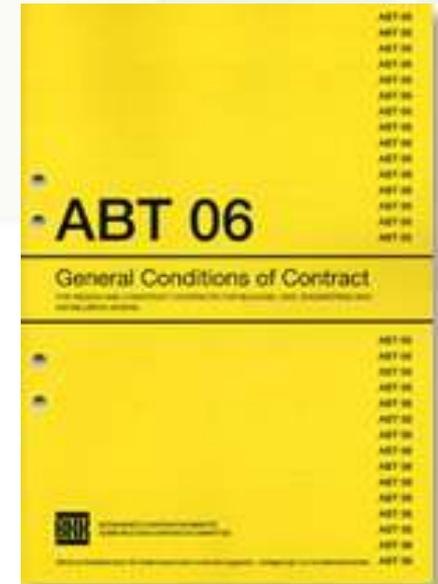
Performance contract – typical features

- A well defined scope of work.
- Usually bill of quantities with price per quantity (SEK/ton).
- Design is usually entirely the clients responsibility
- Obstacles during the project usually requires new decisions and revised designs from the client.



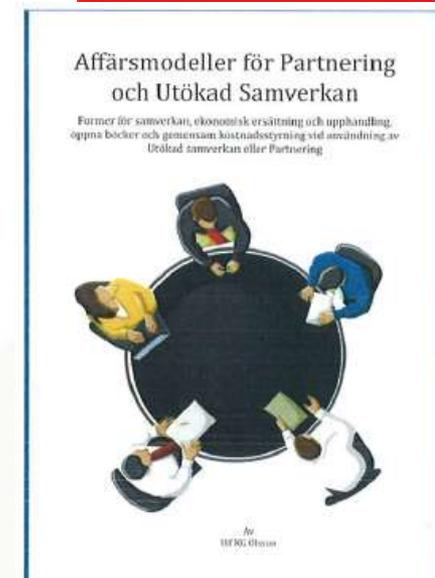
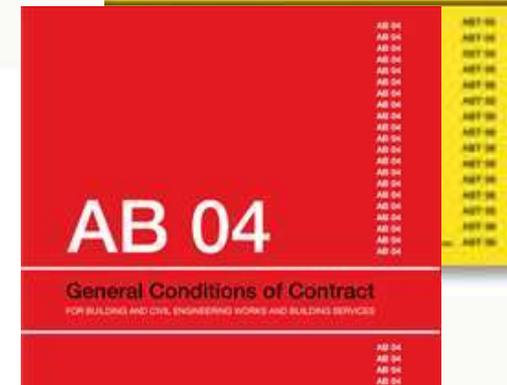
Design and construct contract – typical features

- A well defined scope of work.
- Can include bill of quantities with price per quantity (SEK/ton).
- Design is for the most part the clients responsibility
- Obstacles during the project requires revised design from the contractor and decision from the client.



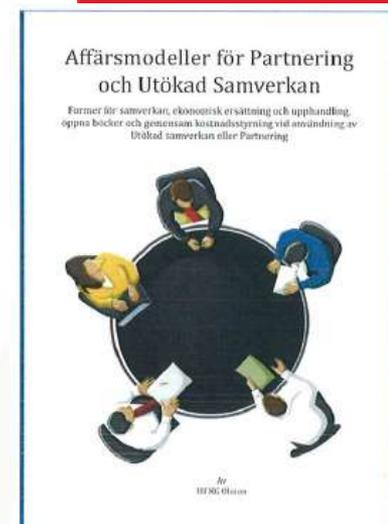
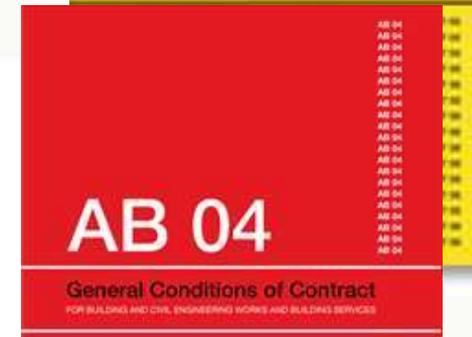
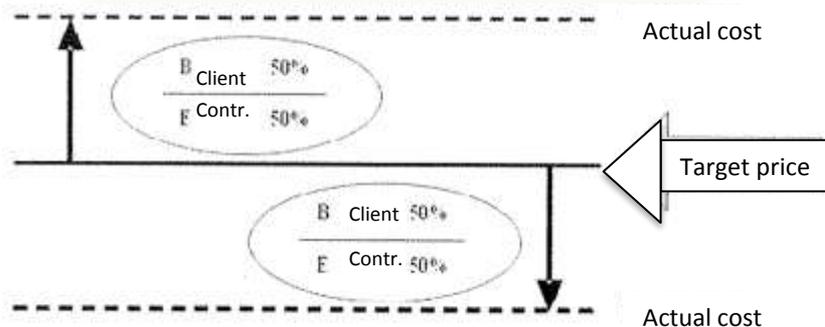
Partnering contract – typical features

- Also called “Extended Collaboration”
- Scope of work roughly defined.
- Contractors expenses are covered based on open verification, and with predefined ways of covering overhead costs.
- Both parties (client and contractor) participate in the design process, that often continues even after construction have started.
- Obstacles, new information etc. will be handled within the project of the party most suitable for the task.
- Requires openness and trust between the parties.



Incentive contract – typical features

- Is one type of partnering contract.
- Incentive contracts are based on a budget calculated from a certain scope of work (target price).
- If the total budget cost is not reached, the profit is divided between the parties. If the budget is exceeded, the excess cost is divided between the parties.
- Changes in the scope of work will result in a new budget sum (target price).



So what contract types are suitable for sediment remediation projects?

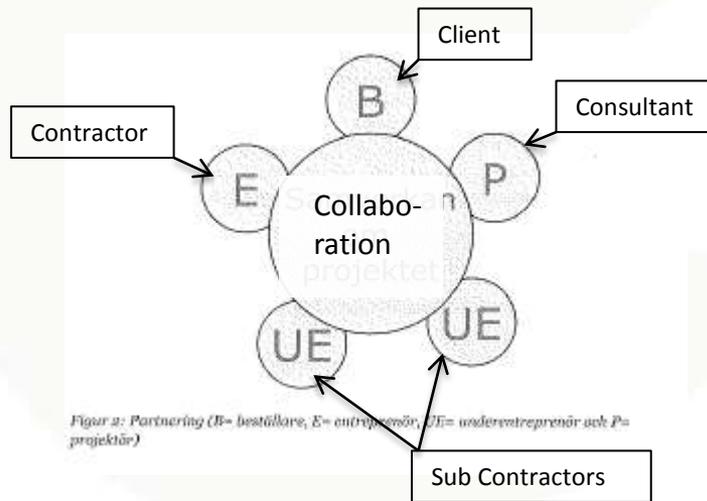
-If the clients organization have most experience and knowledge and the solutions and conditions are well defined, a performance based contract is a possibility.

-If the contractors organization is more experienced, and the site conditions are well defined, a design and construct contract may be better.

- When conditions are uncertain, knowledge and experience is divided between the parties, a partnering concept is probably the best.

General conclusions from recent sediment remediation projects

Several of these contract types have been used in sediment remediation projects in Sweden. It seems to be favorable to use some partnering features since sediment projects are rather complex and there is need to use the knowledge within both client and contractor organizations.



Thanks for your attention