

Key Trends

in the European and U.S.
Construction Marketplace

SmartMarket Report

Design & Construction Intelligence

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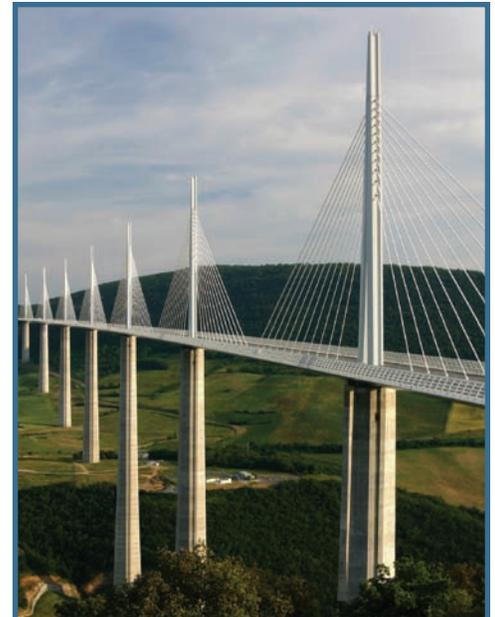


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INNOVATION
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CONTRACTING DOCUMENTS

Global contracting concerns and solutions

Contracts play a central role in establishing the framework for project delivery. With so many external factors influencing project schedules, such as labor shortages, fluctuations in materials pricing and natural disasters, **liability is a key concern**. It is increasingly important for every party involved in a project to feel protected and represented in the contract document process. In order to address these issues, industry leaders are developing innovative approaches to contracting across Europe and the U.S.

Systems have recently developed where the construction enterprise is selected on the basis of a combination of price, safety, environmental concern, speed of construction and quality. This is common in the UK and in the U.S., where this approach is known as Best Value. For highway projects, there is now a two-stage tendering process involving early contractor involvement at the design stage.

There are also new partnering agreements where parties share risk, and framework agreements that are based on an ongoing program of work. This helps decrease project failure due to lack of trust. Some countries, such as France, have begun to mitigate this problem by providing project insurance that covers the whole project.



New U.S. collaborative effort provides an alternative

In the U.S., companies have two primary options when it comes to selecting the appropriate contract document: They can use a pre-established model put out by an industry association (most commonly used are the American Institute of Architects (AIA) documents), or they can develop and implement their own model. **Typically, large-scale firms will prefer to use their own contracts**, which have been developed to reflect their unique situation and interests. The smaller size-companies, which make up a majority percentage of U.S. firms, tend to rely on the AIA documents.

In late 2007, the U.S. construction industry was offered a new contracting alternative. The new ConsensusDOCS were developed by the Associated General Contractors of America (AGC) in partnership with over 20 construction associations that represent a cross-section of industry players. These documents provide smaller firms and projects with an alternative to the contracts offered by AIA.⁸³

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The group behind ConsensusDOCS touts a new suite of contracting mechanisms that they claim will **reflect the best interests at the heart of a project, rather than those of a single party**. The suite includes more than 70 documents that address all of the project delivery methods available.¹¹⁹

The reception and impact of this effort remain to be seen, but it is an encouraging example of cross-industry cooperation (see box below).

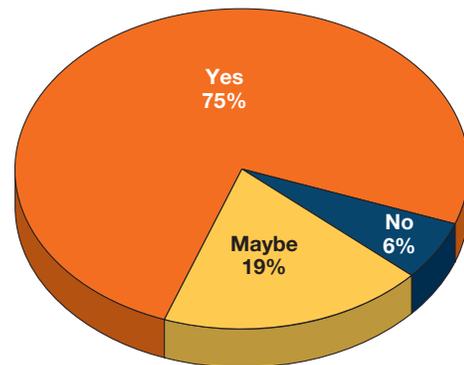
The Contracts Debate: Top Concerns of the Owner Community

In September 2007, McGraw-Hill Construction partnered with the Construction Owners Association of America (COAA) to identify the issues at the heart of the contract debate. Together, MHC and COAA surveyed COAA's membership, comprised primarily of industry owners with some representation of other interested groups. The results of the survey revealed high levels of interest in contracting issues and in having a new alternative approach to contracting.

Respondents identified the main problems that they believe better contract documents and language could help mitigate, including:

- Issues related to change orders, such as timely resolution and associated costs.
- Timely closeout or completion of work, or failure to meet completion date.
- Conflicts with contracts, contract language and RFP/RFI documents.
- Claims and delay claims.
- Quality of work and qualified contractors and subcontractors.

Will the New ConsensusDOCS Provide Value to You?



Source: McGraw-Hill Construction with COAA, 2007

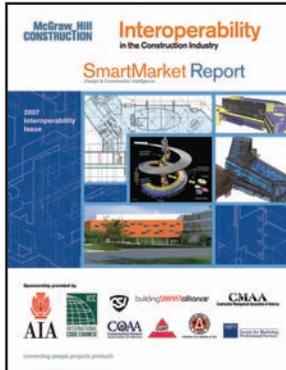
For more information please visit:
www.consensusdocs.org and
www.aia.org/docs_default

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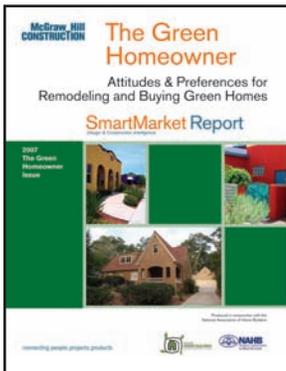
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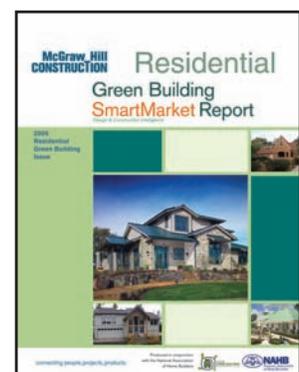
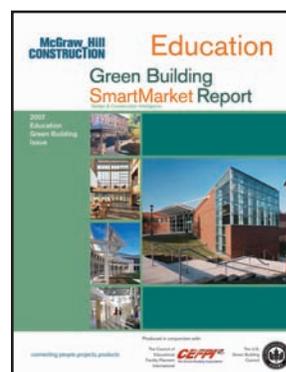
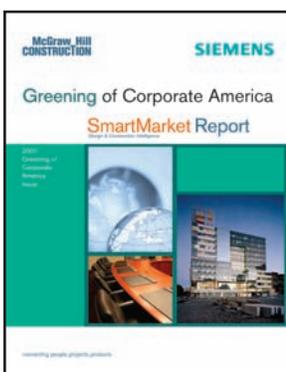
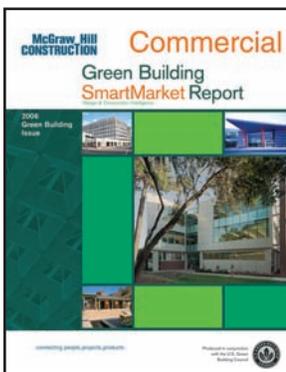
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