

Value Analysis and Design-Build The European Perspective

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The European Perspective...

- Why it matters
- What is the European Perspective???
- Why we NEED Design-Build
- Delivering VALUE
- Some suggestions for a way forward

Why it matters...

- Some history...
 - Public-private partnerships supported the creation of large infrastructure contractors following WWII
 - New management approaches were needed to manage fast-track design, procurement and construction
 - Materials were scarce – contractors vertically integrated by necessity

Why it matters...

- The European Situation Today...
 - Very Large Contractors
 - Great Depth of Experience
 - Vertically Integrated Business Units
 - Sophisticated Management
 - Strong Balance Sheets
 - Strong Government Relationships
 - International Presence

Why it matters...

- The Canadian Situation Today...
 - Quebec has somewhat followed the European procurement model
 - Emergence of global players
 - Ontario has generally followed a more parochial procurement model
 - Contractors struggle to gain critical mass
 - Few Ontario-based contractors are capable of undertaking large complex projects

The European Perspective...

- North Americans...
 - are litigious
 - do not trust foreign contractors
 - favour local contractors
 - fear innovation
 - are slow to make decisions
 - want to micromanage projects
 - do not partner well
 - resent the profit motive

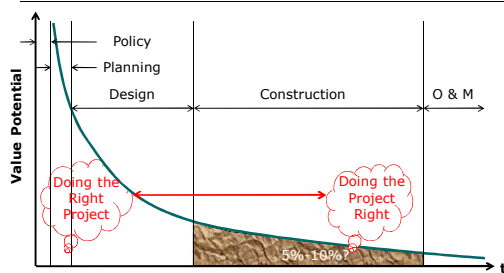
The European Perspective...

- North Americans...
 - can not be trusted
 - will not respect confidences
 - don't clearly define the scope of work
 - are overly prescriptive with details
 - are adversarial
 - like to blame the contractor
 - are unsophisticated
 - can be trained

Why consider Design Build?

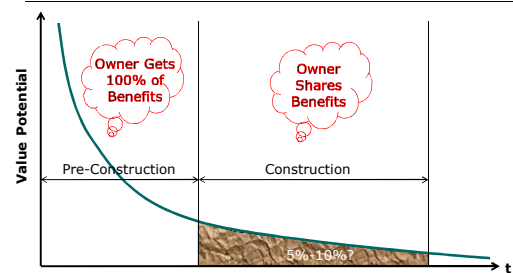
- Shorter time to completion?
- Transfer risk?
- Mobilize new sources of capital?
- **To get BETTER Solutions**
- **To deliver VALUE**

Value Engineering in Construction¹

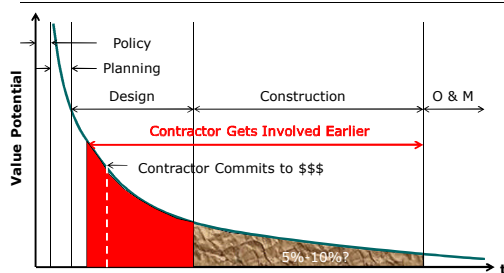


1. Based upon Figure 4 NCHRP Synthesis of Practice 78

A Popular Misconception?



Why does VE work better in D-B?



D-B Risks (for the Contractor)

- Understanding Scope of Work
- Understanding fixed parameters:
 - Prescriptive Specifications
 - Health & Safety Requirements
 - Regulatory & Approval Requirements
 - Environmental Constraints
 - Quality & Durability Requirements

The BIG Questions...

- How aggressive should the contractor be...
 - Will the Owner accept innovation?
 - Will the owner embrace alternatives?
 - How to price the base bid to reach the table?

Getting Better Solutions...

- Requires good understanding of the critical functions of a project
 - The Owner can help by writing function-based performance specifications – explain the problem you are trying to solve and set the “must-have” parameters
 - Allow the D-B Team to apply their expertise to find better solutions

Delivering Value...

- Recognize that the Owner receives the VALUE when the BAFO is accepted – the BAFO already incorporates fruits of value analysis during the bid process.

Delivering Value...

- Also Recognize that the D-B Contractor has likely made provisions in the BAFO for additional cost or schedule savings that may not be reflected in the “illustrative solution” that accompanies the BAFO.
- Let the Contractor DEVELOP the design and realize the benefits

A Way Forward...

- Embrace D-B as a way to get BETTER solutions and to deliver VALUE to the public
- Be a Partner, not an adversary
- Be Transparent – earn the trust of the industry

Thank-you.

- Questions?

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