



CONSTRUCTION INDUSTRY COUNCIL  
建造業議會

# Procurement of Professional Services: Engagement of Consultants and Contractors

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# About the speaker

- Building projects
  - Structural design
  - Project management
- Construction Procurement
  - Tendering
  - Contract
  - Commercial

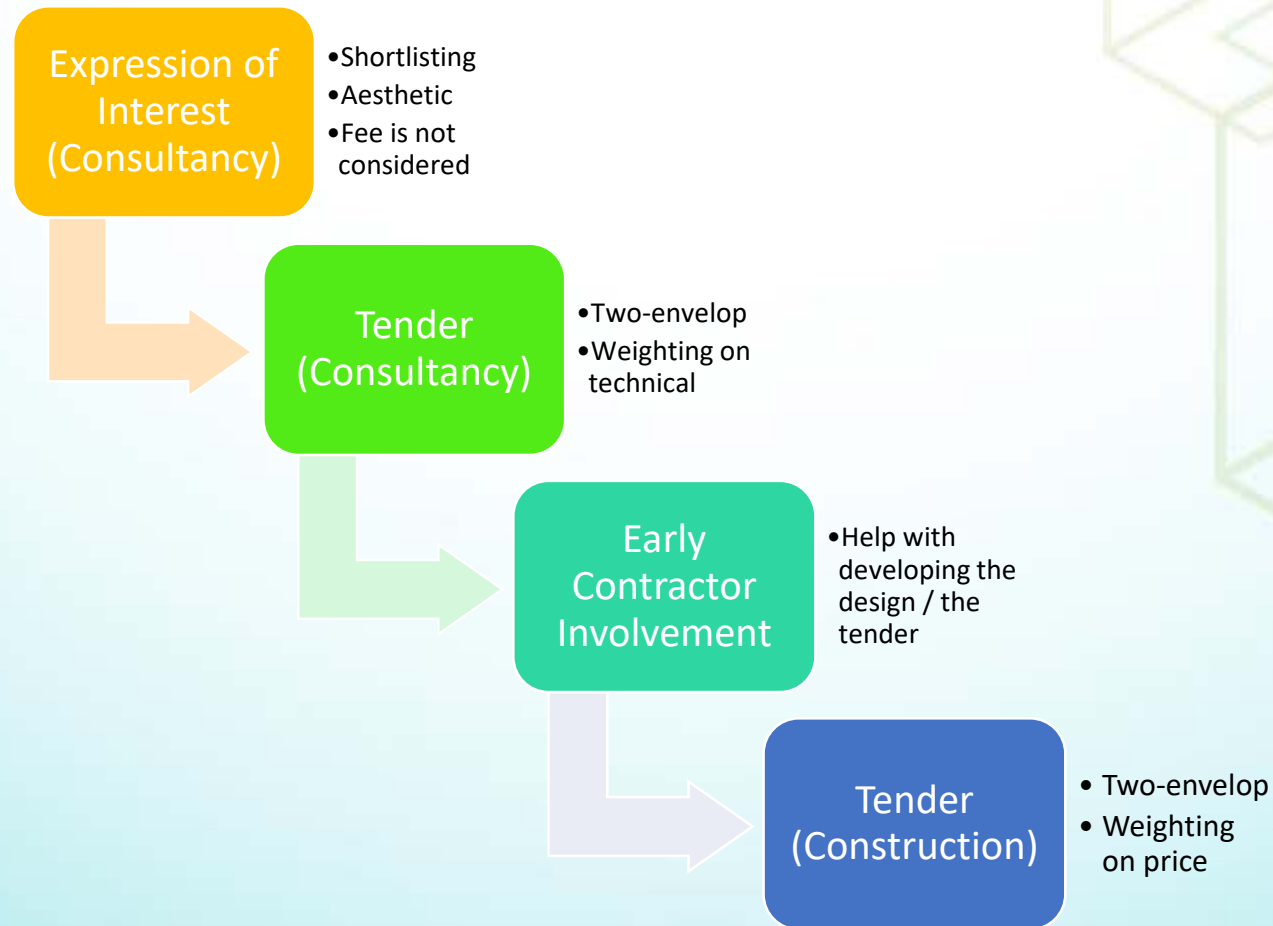


# Today's presentation

- Understanding your needs – preparing the project brief
- Sharing the risk – contract provisions
- Finding the right consultant / contractor – tendering

## PROCUREMENT STRATEGY

# Typical Procurement Activities for a Construction Project



# The Project (Consultancy) Brief

Let the consultant know what you want

What is expected of the consultant

Check with **YOURSELF**: do I know what I want?

**BE CONCISE!**



# Elements of the Project Brief

## Objectives

- Whole project / Consultancy

## Scope of service

- Design / Costing / Statutory Submission / Administration

## Requirements

- Technical / Performance / Spatial / Operation & Maintenance / Compliance

## Deliverables

- Drawings / BQ / BIM Model / Reports / Attendance / Statutory Duties

## Time frame

- Milestone

## Payment terms

- Milestone Payment

## Credentials

- Company / Project Team / Personnel / Sub-consultants

# Choice of Contracts

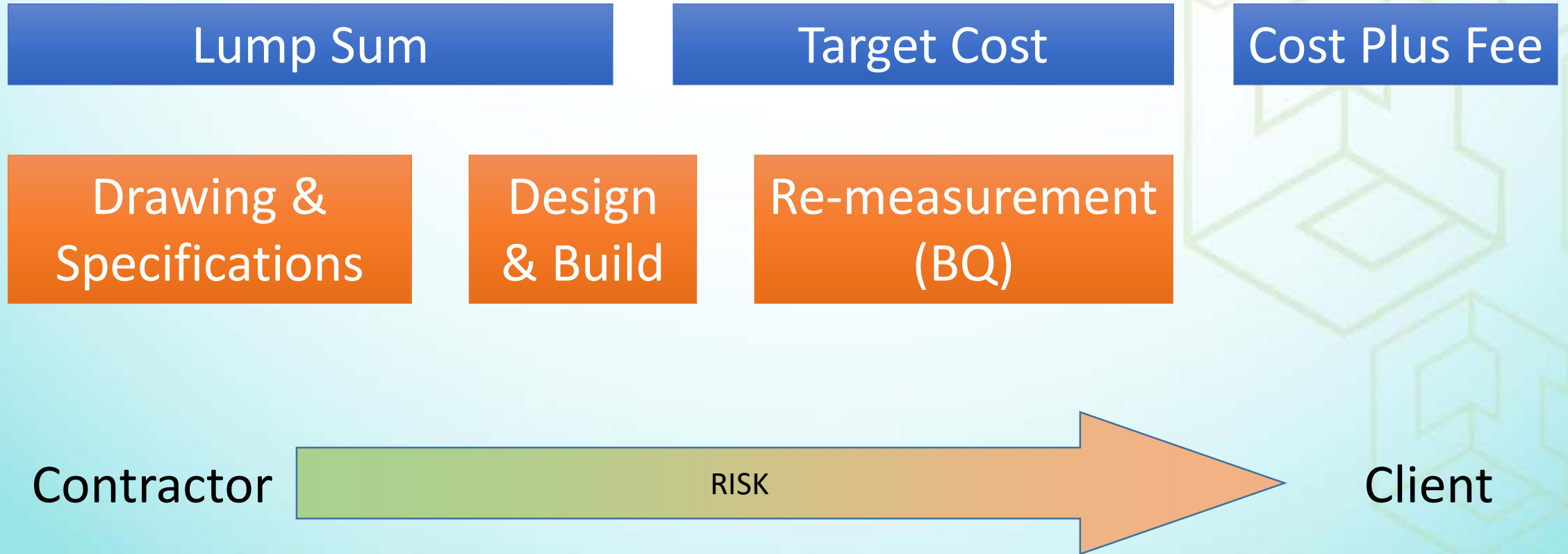
	The Good	The Bad
In-house contract (professional service / construction)	<ul style="list-style-type: none"><li>✓ Familiar to the client</li><li>✓ Doesn't cost anything</li></ul>	<ul style="list-style-type: none"><li>✗ May not meet the needs of a large scale construction project / MiC construction</li></ul>
Standard contract e.g. HKIA Standard Form	<ul style="list-style-type: none"><li>✓ Certainty</li><li>✓ Familiar to the industry</li><li>✓ Terms are generally fair to both parties</li></ul>	<ul style="list-style-type: none"><li>✗ May not meet organization's needs without amendment</li></ul>
Bespoke contract	<ul style="list-style-type: none"><li>✓ Tailored to the needs of the project</li></ul>	<ul style="list-style-type: none"><li>✗ Only as good as the person drafting it</li><li>✗ Cost</li></ul>

# Risks Associated with Construction Projects



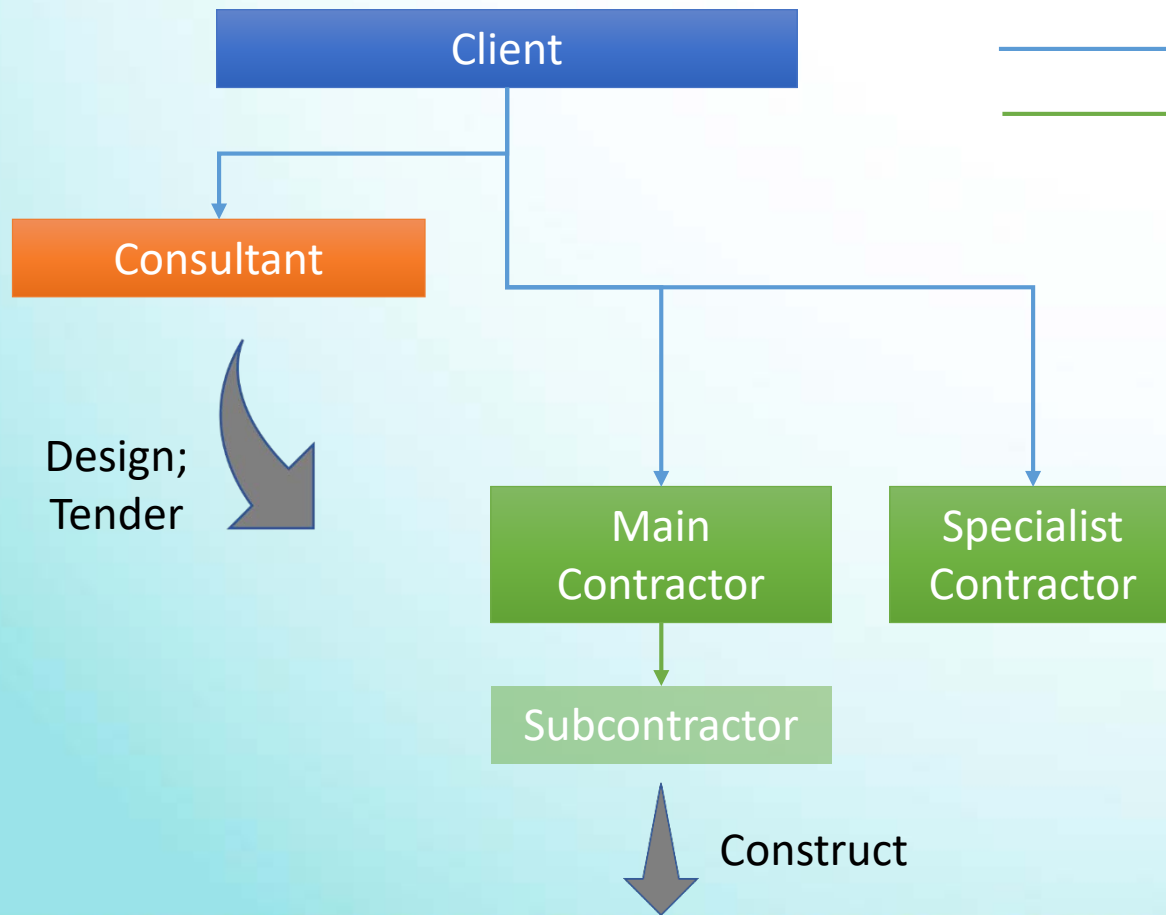


# Types of Contract Pricing

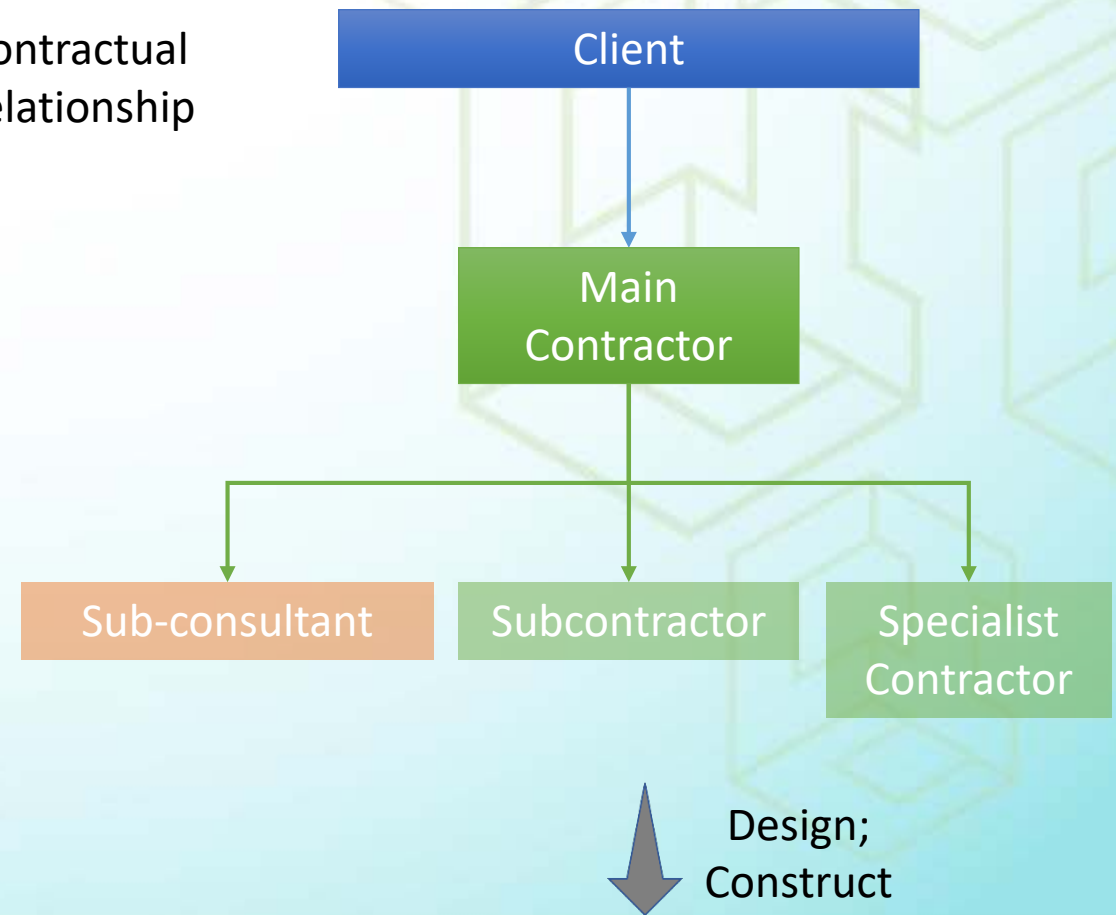


# Route of Engagement

## Design-Bid-Build (Traditional)



## Design & Build



# Key Elements of a Contract

## Consideration

- Price
- Scope
- Responsibilities

## Time

- Contract duration
- Milestone
- Defect Liability Period
- Compensation / EOT

## Payment

- Payment period
- Assessment
- Retention

## Variations

- Definition
- Procedures / Instructions
- Pricing

## Insurance

- Contractor All Risk
- Third Party Liability
- Professional Indemnity
- Client Indemnity

## Default Remedies

- Direct loss
- Liquidated Damages
- Genuine pre-estimate of loss

## Law & Dispute Resolution

- Method
- Jurisdiction

## Termination

- Grounds to terminate
- How it is handled

# Special Conditions of Contract

## MiC

- Off-site payment
- Ownership
- Insurance

## BIM

- Intellectual Property
- Information Exchange

## Bonus

- Early completion
- Cost saving

## Fluctuation

- Mechanism

## Project Security

- Performance bond

# Contract Document – The Scope

## Drawing

- Layout / Section / Elevation
- Details / Finishing
- Schematics
- Building components

## Specifications

- General / Technical
- Standards
- Quality / Workmanship
- Method / Procedures
- Material
- House Rules

## Bill of Quantities

- Preliminary
- Preamble
- Quantity
- Rate
- Prime Cost Sum
- Provisional Sum

## Other Information

- Site Topography
- Underground Utilities
- Site Investigation / Ground Condition
- Monitoring Records
- Restrictions
- Lease Requirements



# Things to Bear In Mind

## Points to note

Consistency

e.g. terminology / parties / cross-reference

Ambiguity

e.g. ...submit for the Architect's approval *where necessary*.

Passive voice

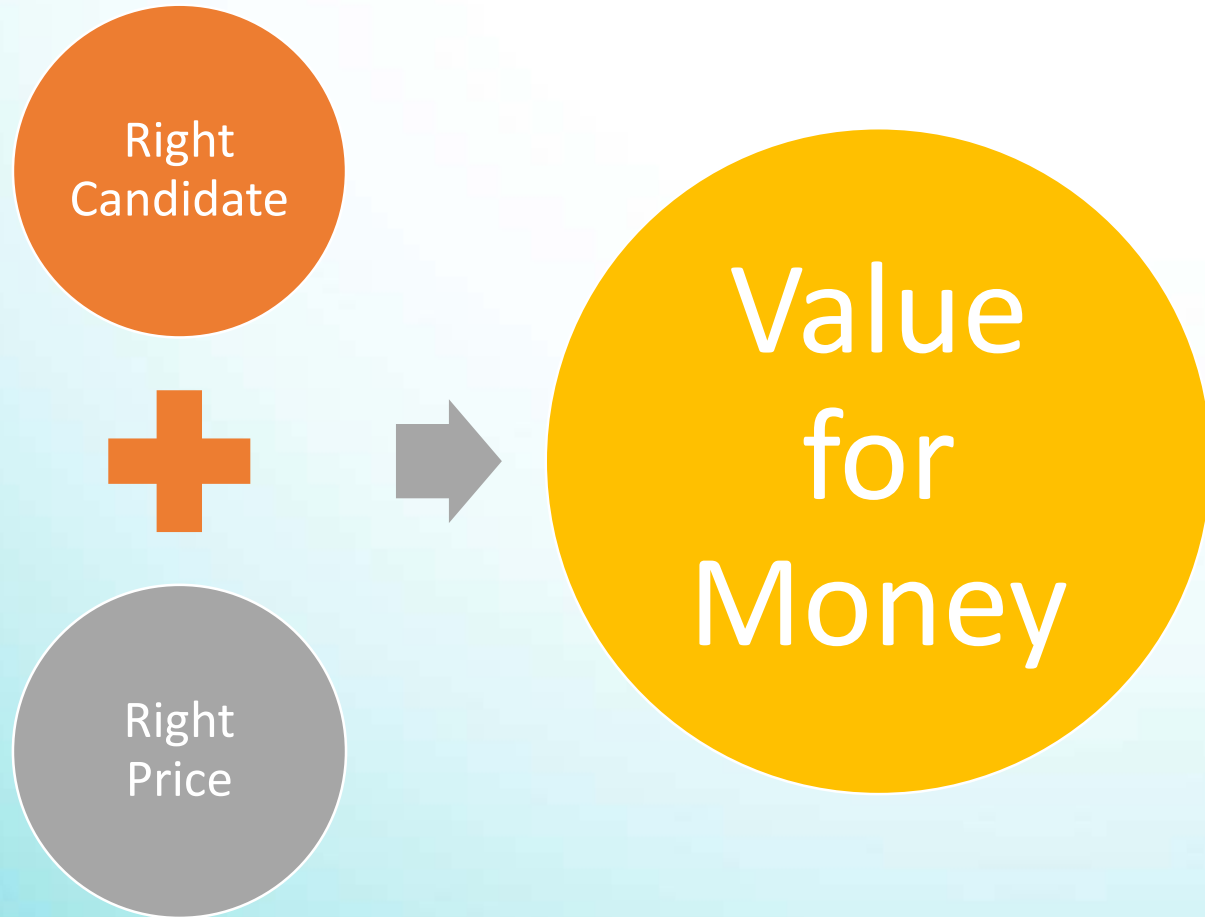
e.g. ...temporary traffic arrangement shall be implemented. – *by who?*

Indefinite scope

e.g. ...shall attend meetings *as and when required*.

Free from clerical error

# Tender Objectives



Fair

Transparent

Objective

Encourage competition

Ethical

# Expression of Interest

- Initial screening / shortlisting
- Vetting of basic requirements
- Design concepts / Aesthetics
- Pricing is not considered

Aim: to narrow down a shortlist of candidates, anyone of whom you would be happy to engage



# Tendering

## Two-envelop evaluation: Technical and Price

- Consultancy: 70 (technical):30 (price)
- Construction: 40 (technical):60 (price)

## Open or Selective Tender

- Open Tender: Newspaper / Website / Associations
- Selective Tender: Shortlist / Established lists / in-house list

## Internal protocol

- Procurement manual
- Approval authority

## Communication

- Tender query
- Tender briefing
- Site visit

# Technical Proposal

## Basic Requirements

Company profile

Scale / Financial strength

License / Registration

Project team

O-Chart

Reporting line

Job reference

Company

Individuals

Past performance

Award

Prosecution

## Project Specific

Resource allocation

Man-hour

Plant and Equipment

Methodology

Programme

Method statement

Design

Identified risks and proposed mitigation

Innovation



# Technical Proposal – Marking Scheme

- Align marking standard
- Scale of 1 to 5
- With appropriate weighting

Criteria	Mark (1 to 5)	Weighting	Mark (weighted)
Company profile	4	x1	4
Project team	4	x1	4
Job reference	3	x1	3
Past performance	2	x1	2
Resource allocation	3	x2	6
Methodology	4	x2	8
Design	5	x3	15
Risks management	3	x3	9
Innovation	1	x1	1
Total (full mark = 75)			52
			x100%
			69.3%

# Technical Score

- A pass mark is imposed
- Advantage is given to the highest technical score

Technical Score

$$\text{technical score} = \frac{\text{tenderer's mark}}{\text{highest mark}}$$

Tenderer	Weighted Mark out of 100	Technical Score
A	80.5	100.0%
B	51.4	63.9%
C	73.3	91.1%
D	70.0	87.0%
E	34.2	not considered
Pass Mark = 50		

# Pricing Proposal – Fee Score

- Only considered after meeting minimum Technical Score
- Advantage is given to the lowest bid
- Safeguard against unreasonably low bid

If lowest fee > 0.8 Average fee

$$fee\ score = \frac{lowest\ fee}{tenderer's\ fee}$$

If lowest fee < 0.8 Average fee

$$fee\ score = \frac{0.8\ fee_{AVG}}{tenderer's\ fee}$$

Tenderer	Price (\$m)	Fee Score (normal)	Fee Score (fee diving)
A	1.9	63.2%	77.9%
B	1.2	100.0%	100.0%
C	2.5	48.0%	59.2%
D	1.8	66.7%	82.2%
Average	1.85		
0.8 Average	1.48		

# Combined Score

*combined score = technical weighting × technical score + fee weighting × fee score*

	Technical Weighting	Fee Weighting
Consultancy	0.7	0.3
Construction	0.4	0.6

Tenderer		Technical (40%)		Price (60%)	Combined Score
A	100.0	40.0	77.9	46.7	<b>86.7</b>
B	63.9	25.6	100.0	60.0	85.6
C	91.1	36.4	59.2	35.5	72.0
D	87.0	34.8	82.2	49.3	84.1

# Engagement

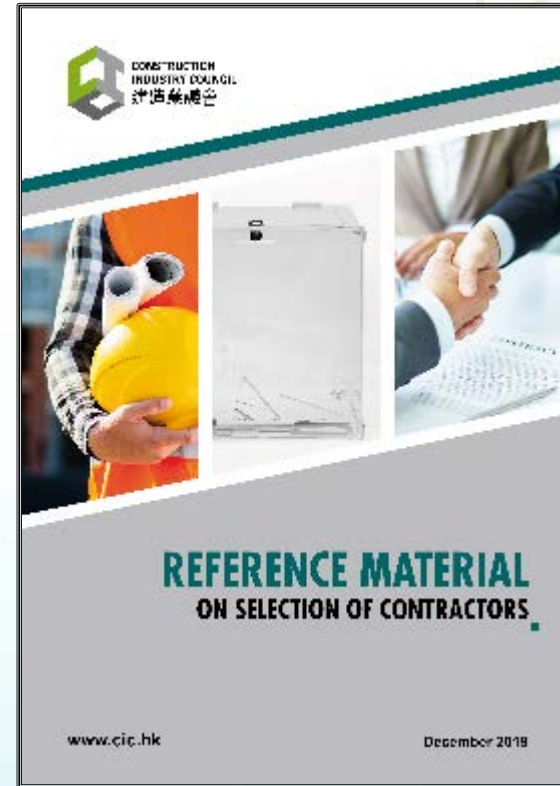
- Letter of Intent
  - Mobilization
  - Statutory Notices
- Site possession
- Contract document
  - Tender clarification / qualification





# Closing comment

- Proactive project management
- Seek help



[http://www.cic.hk/eng/main/aboutcic/publications/reference\\_materials/](http://www.cic.hk/eng/main/aboutcic/publications/reference_materials/)

Thank you!