

VI PREFACE

01 Section 1

GLOBAL CONSTRUCTION PROCUREMENT TOPICS

Trends and issues we will see in 2020 and beyond
 Procurement / Project Delivery Methods and Issues
 Recent History and the influence of World Events on Engineering and
 Construction Costs in the last couple of decades
 Project Execution
 Conventional approach: / Concurrent / Overlapping approach / Fast track approach
 Various Types of Construction Projects: How do Purchase Orders vary from Contracts -
 Engineering, Procurement and Construction (EPC)
 List of Data / Engineering Deliverables supplied to Vendor to obtain fixed price quote
 The Importance of Front End Planning
 Defining the Project and the CAPEX Project Life Cycle Process
 Project Team and Selection of Professional Services
 Global Construction Procurement Purchasing / Contracting Challenges to be faced in
 the next couple of decades and beyond

Section 2

21 PURCHASING / PROCUREMENT AND CONTRACTING

Facility Procurement Steps
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 The Buy Out / Procurement Procedure
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 Request for proposals (RFP)
 The General Purchasing / Procurement Planning Process
 Fundamentals of the Purchasing / Procurement / Contracting Plan
 Establishing Potential Bidders List / Pre-Qualify Bidders and Recommend list of
 Pre-approved EPC, A/E, CM firms, contractors and vendors
 Prepare Invitation to Bid Packages, Purchase Orders, and Contracts / Sub-Contracts etc.
 Evaluation and Award of Purchase Orders Construction Contracts / Sub-Contracts /
 Service Contracts
 Purchase Order / Construction Contract Administration
 The Materials / Equipment Procurement / Purchasing Responsibility Matrix
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 Setting up and establishing an Inspection / expediting plan
 Some major issues to keep in mind regarding Purchasing / Procurement and Contracting

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PROPOSALS / BIDS / REQUEST FOR PROPOSALS (RFP) / TENDER EVALUATIONS

All Purchasing / Procurement / Contracting aspects related to Proposal / Bids / Request for Proposals (RFP) / Tender Evaluations should be considered and planned for prior to issuing documents to potential bidders, some of the following points should be considered and planned for:

- Are there procedures / policies in place to obtain competitive bids and tenders.
- Do we need to advertise in trade magazines or newspaper for expressions of interest from various engineering firms, contactors and vendors?
- Complete a detailed review of engineering firms, contactors and vendors technical and financial ability.
 - Ensure engineering firms, contractors and vendors return receipt of proposal and intention to bid.
 - Institute security and bid opening procedures / policies.
 - Make sure engineering firms, contactors and vendor's references are checked out in detail.
 - Ensure engineering firms, contactors and vendors safety record are researched and checked out.
 - Ensure engineering firms, contactors and vendors QA / QC systems are appropriate for this application.
 - Arrange clarification / pre- bid meetings to answer scope issue related questions.
 - Perform evaluation of bids / tenders; use a weighted average methodology where appropriate.
 - Consider previous experience with bidder(s).
 - Issue questionnaire to obtain bid clarifications.
 - Perform and conclude post bid / tender negotiations, issue MOM's.
 - Make award recommendation and obtain approval of bid committee or appropriate senior manager.
 - Issue letter of intent.
 - Purchase order / Contract award; obtain ap-

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propriate signatures, insurance certificate and other related paperwork.

AUDIT TRAIL

Information and all documentation should be kept and safely stored of the Purchasing / Procurement / Contracting selection and award process, together with the ongoing administration of this effort. This should be completed for any future audit purposes, or in the event of objections to any of the Purchasing / Procurement / Contracting decisions / selections made by any business partners and bidders. These records should be retained for the correct statutory period (2, 5 or 7 years what ever is applicable, the reader would need to do some research on this obligation). This audit situation would apply to the detailed design, the purchase / procurement and construction of a new facility or building together with all required, demolition, site works, utilities, parking areas, landscaping and associated guard houses, fencing and security systems, that will be part of a completed facility or building:

CONCLUSION / PURCHASING / PROCUREMENT / CONTRACTING TIPS

From an Owner's point of view, the major goals are to acquire a safe, functional, quality designed and constructed facility, at the lowest cost available. The aspiration of successful International Construction Procurement activities is to provide a win- win situation for both the Owner and the Construction Procurement provider, i.e. contractor. The objective of the purchasing / procurement professional is to acquire quality materials, production equipment and related services at the best price and delivery schedule, that match the objectives of the project's execution approach. The following is a list of items / tips to consider when involved with the Purchasing / Procurement / Contracting activities. The list is random in nature and some of these topics have been

Procurement / Contractual Checklist

OVERSEAS COUNTRY

#	QUESTION	YES	NO	REMARKS
1	Can we hire local staff, what are the rules and regulations of this action?			
2	Payments terms, in local currency or are there issues that need to be resolved?			
3	What are the standard contracts used in the overseas country?			
4	What are the specific issues related to purchase orders and contracts, are there any issues that need to be reviewed?			
5	At what point does title or transfer of materials and equipment pass on a sale?			
6	What are the legal ramifications of a dispute, how will disputes be handled?			
7	Are there any tax holidays, incentives available for this particular project? Does the host country provide financing for new facilities and plants through grants, low-interest loans and training?			
8	Do we have to set up a LLC, Corporation, "S" Corp, Ltd. company or Joint Venture with perhaps an indigenous company?			
9	What are the requirements related to work permits, visa, and number of days allowed in country?			
10	What are the current tax regulations in effect, for: expatriates, locals?			
11	What are the current tax regulations in effect, for: Imports, VAT / GTS and other local province / city taxes?			
12	Can profits be moved out of country?			
13	What do construction professionals make per year?			
14	What do construction workers make per hour?			
15	Are there any issues related to importing equipment / bulk materials into country.			
16	Is there any issues regarding nationalization / government take over of facilities? Consider what is happening in Venezuela and Peru.			
17	Obtain a listing of Vendors, contracts and A/E firms; also obtain a telephone directory if possible.			
18	Check if we would need to set up a temporary work camp.			
19	Are there any government rules specific to using a high percentage of local content, i.e. some countries stipulate that a high percentage of local materials are to be used on project.			
20	Collect names of various customs departments, transport companies, inspection firms, trade union organizations and other addresses that may be appropriate.			
21	Determine / find out what hotels cost, what houses rent for per month.			

AUSTRIA

Austria is located in the center of Europe; it is landlocked and shares a border with Germany, Switzerland, The Czech Republic and other Slavic nations in the east: Austria has high rugged mountains and forests. It has an extremely skilled and productive labor force.



DATA TABLE

1. Type of Government: Federal Republic
2. Capital: Wien / Vienna 1,700,000
3. Major Cities: Salzburg, Graz, Linz, Innsbruck
4. Population: 8.75 million
5. Area: 85,000 sq km
6. GDP: \$474 billion
7. GDP per Head: \$51,530
8. Inflation Rate: 1.5% - 1.8%
9. Time: + 6 EST
10. VAT / Sale Tax: 20%
11. Exchange Rate: 0.89 Euros
12. Freight from USA: 7.5 – 9.5 / 30 days
13. Local freight: 2% - 3% of material / equipment purchase price
14. Government website: <http://www.bka.gv.at>
15. Import duties: Refer to website mentioned above under General Notes and www.bmf.gv.at/
16. Electricity: 230 v – 50 Hz
17. Telephone code: 43
18. Professional Architect / Engineer / Accountant / Purchasing Agent etc: \$85 - \$125
19. Skilled Worker rate: \$39 - \$51
20. Unskilled worker rate: \$27 - \$38
21. Worker Productivity vs. USA Gulf Coast (Houston = 1.00): 1.10 – 1.15
22. Location Factor vs. USA Gulf Coast (Houston = 1.00): 1.02 - 1.06
23. Local Bulk Material Factor vs. USA Gulf Coast (Houston = 1.00): 1.02
24. Major Sea Ports: Austria is landlocked most goods are shipped via Germany and Italy.

ORDER OF MAGNITUDE COSTS FOR SHIPPING / OCEAN FREIGHT – MATERIALS / EQUIPMENT:

from the USA (East or West Coast port) to various countries (using 20’ – 40’ containers). These values exclude shipping to and from US port and shipping from local port to jobsite. (Note: there is 35.315 CF in 1M3)

	COUNTRY	NO. OF DAYS TO SHIP TO COUNTRY FROM EAST COAST USA PORT	\$ M3 FROM EAST COAST PORT	\$ CUBIC FOOT FROM EAST COAST PORT
1	Algeria	18	281	7.95
2	Australia	40	200	5.67
3	Bangladesh	43	206	5.82
4	Belgium	13	160	4.52
5	Bolivia	25	373	10.57
6	Brazil	24	261	7.39
7	Chile	25	291	8.25
8	Burkina Faso	37	631	17.85
9	China	43	250	7.08
10	Cyprus	25	244	6.91
11	Estonia	25	283	8.01
12	Germany	22	176	4.98
13	Hungary	25	230	6.52
14	Ivory Coast	30	340	9.63
15	Mexico	11	240	6.80
16	Nigeria	36	360	10.20
17	New Zealand	39	384	10.88
18	Pakistan	30	261	7.39
19	Philippines	27	267	7.57
20	Russia	31	384	10.87
21	Saudi Arabia	30	207	5.87
22	South Korea	20	166	4.71
23	Switzerland	23	197	5.57
24	UK (Liverpool)	12	162	4.58

	COUNTRY	NO. OF DAYS TO SHIP TO COUNTRY FROM WEST COAST USA PORT	\$ M3 FROM WEST COAST PORT	\$ CUBIC FOOT FROM WEST COAST PORT
25	Australia	25	227	6.44
26	China	34	219	6.20
27	Hong Kong	23	196	5.56
28	India	34	254	7.20
29	Indonesia	34	282	7.97
30	Japan	23	276	7.81
31	New Zealand	25	248	7.02
32	Pakistan	41	251	7.12
33	Saudi Arabia	34	241	6.81
34	South Korea	22	159	4.51
35	Thailand	28	169	4.79