

Selection and contractual agreement with consultants



■ In the traditional organizational arrangement of Client, consultant (Designer) and Contractor, there is a need.

a) to select the Consultant (Designer) and arrive at some contractual agreement for him to produce

- ✓ the feasibility report,
- ✓ design the project,
- ✓ supervise construction, and generally
- ✓ advise the Client, in return for some specified payment by the Client.

b) to select the Contractor (Builder) and arrive at some contractual agreement for him to carry out the construction work, in return for some specified payment by the Client.

- As for selection of a contractor, selection of a consultant is either on the basis of some form of ***competitive tendering*** or by ***negotiation***.
- If you are unable to precisely define what is required of the designer, it is very difficult for him to estimate how long it is going to take and therefore what he should charge.

■ Design costs are usually only a small percentage of the total costs of the project.

■ One client with a large number of projects is quoted as follows:

“In a typical project we find that outfitting, operating, maintenance and repair costs represent 56% of the life cycle cost, construction represents 42% and design represents approximately 2%.

■ The relatively modest cost of design has critical influence on both the 42% and especially the 56% for operation maintenance and repair”.

- The total cost of a project may vary by a factor of 4 or more, depending on whether good or mediocre designers are used.
- It, therefore, makes little sense to save 2% of the design costs and end up with a project costing three times as much!
- Hence the top priority is generally seen to be one of trying to obtain the Consultant (**Designer**) who will produce the design which **best meets the Client's requirements.**



Methods of assessing which consulting firm is likely to produce the most suitable design are mainly on the basis of :

- reputation,
- any previous experience
- outline proposals put forwarded
- staff profile
- insurance coverage
- financial proposal
- and other specific criterion set by the client

- A combination of expertise and cost is sometimes used in the '**2 envelope system**' where consultants have to put their **technical proposals** in one envelope and their required **financial** remuneration proposals in another.
- **The proposals are judged first on technical merit.**
- The design cost envelope is then opened for the best technical proposal.
- Only if the remuneration proposals are considered unreasonable, are successive envelopes opened until one with **acceptable design costs is reached.**

Contractual Agreement with Consultant (Designer)

■ There are various **international/national** standard contractual agreement forms which are commonly used:

- e. g those produced by **Association of Consulting Engineers, RIBA, FIDIC, American Institute of Architects** etc.

RIBA=Royal institute of British Architect
FIDIC= Federation Internationale Des
Ingenieurs Conseils

- The Consultant's fees are usually specified and calculated on the basis of one of the following:
 - percentage of construction cost (taken as the lowest tendered sum)
 - expenses (e.g. salaries etc.) plus percentage additions for overheads, profit etc.
 - expenses (e.g. salaries etc) plus lump sum for overheads, profit etc.
 - lump sum fee.

Typically, Consultants in the **UK** are employed on the following basis:

- Feasibility and initial design work . . . (Time x salaries) + 15% for overheads and profit.
- Detailed design, contract documents up to award of contract. up to 4% of cost of works (based on lowest tender).
- Site supervision. . (Time x salaries) + 30% for overheads + profit.
- Plus extra payment for any work outside the normal brief.

German Experience: Price ranges are set based on construction site location, cost of the project, ...

Categorization of consultants in Ethiopia:

- *categorized based on human resource, capital, office facility*
- *Consulting Engineers General; Consulting Architects; Hydraulic Engineering consultants; Water Resource; Sanitary; Irrigation; Construction management; Consulting Highway and Bridge Engineer, ...*

-Selection procedure:

- ***competitive (two-envelope system) and***
- ***non-competitive basis***

Consultant fees: - percentage of cost; lump sum

General ; International competitiveness

Exercise

1. Visit to any consultant's office of your own choice and:
 1. study the typical contents of the company profile.
 2. discuss with the relevant officer about: how they fix professional fees?
2. Discuss the role of consultant's in executing its duty with regard to: impartiality, professional competence, ethical standard, satisfaction of the client, ...
3. Review consultant's professional fee in at least two European and two African countries, and comment in relation to Ethiopian condition.
4. Do you find consultant's work enjoyable? Why?
5. Compare and discuss the FIDIC conditions of contract and the Ethiopian conditions of contract (relevant articles) made between a client and a consultant.

Submission date: _____

Thank you!!!