



Public Owner Construction Management: Differences in Management and Risk Allocation Approaches Between Design-Bid- Build and Long-Term Concession Projects



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INTRODUCTION

- **Project Delivery & Owner's Role**
- **Allocating & Maintaining Risk**
- **Project Management Issues Affecting Risk Allocation**



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PROJECT DELIVERY & OWNER'S ROLE

- **Design-Bid-Build**
 - Financing
 - Design
 - Front Line Construction Acceptance
 - Operation and Maintenance



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PROJECT DELIVERY & OWNER'S ROLE

■ Design-Build

- Financing
- Design Acceptance or Oversight
- Front Line Construction Acceptance or Oversight
- Operation and Maintenance



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PROJECT DELIVERY & OWNER'S ROLE

■ Concession

- Limited to No Financing
- Design Review and Oversight
- Construction Oversight
- Operation and Maintenance Oversight



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ALLOCATING & MAINTAINING RISK

- **Greater Assumption of Risks if:**
 - Greater Responsibilities
 - Greater Control

- **Design-Bid-Build vs. Concession**
 - Design
 - Construction
 - Operations & Maintenance



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BALANCING CONTROL AND QUALITY

■ Issues Related to Control

- Duty to the Public
- Pre-existing Procedures and Practices
- Ensuring Quality

■ Checks and Balances

- Incentive to Maintain Quality with Greater Responsibility
- Presence of Third-Party (Investors, Lenders Independent Engineer)



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PROJECT MANAGEMENT ISSUES

- **Prescriptive vs. Performance Specifications**

- Responsibility for Maintaining End Product
- Ability to Innovate
- Risk for “Substandard Performance”



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PROJECT MANAGEMENT ISSUES

- **Owner Design Review/Oversight**
 - Nature of Approval/Review Rights
 - Design-Bid-Build vs. Concession
 - Maintaining Risk Allocation:
 - Appropriate Design Review and Oversight
 - Periodic Design Audit
 - Reasonable and Timely Approvals/Disapprovals



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PROJECT MANAGEMENT ISSUES

- **Owner Inspection/Testing Oversight**
 - Responsibility for Quality
 - Design-Bid-Build vs. Concession
 - Maintaining Risk Allocation:
 - Appropriate Inspection Oversight
 - Periodic Construction Audit



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CONCLUSIONS

- **Adapt CM to Project Delivery Chosen**
- **Maintain Risk Allocation**
- **Quality Can Be Maintained**



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QUESTIONS



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