

Practice Note

Interface risk management

EXPLANATORY NOTE:



This Practice Note is a product of the Construction Industry Leadership Forum. It provides a principle-based strategy with options that are available to procuring agencies in response to the identified challenge. Implementation of options may necessitate change to existing government policy or procurement rules to give them broader application.

PRINCIPLE:

Interface risk during construction will be managed with strategies that motivate interface parties to work together in a cooperative and efficient manner with an appropriate level of risk transfer based on who is best placed to manage responsibility for the risk during the project. The interface strategy may involve more than one or a mix of management options. Senior leadership is critical across all options to effectively manage and resolve complex interfaces.

CURRENT CHALLENGE:

Interface management and the interaction between stakeholders in a construction project presents a key risk to project cost and program. Misalignment between interface parties can be a cause of project delays, disruption and cost escalation on major projects, as well as reputational impact.

Interface risks can arise out of different categories of interfaces:

| Category | |
|----------|--|
| 1 | Between two or more contractors: <ul style="list-style-type: none">» performing packages of work on a site or interconnecting sites, for example, two contractors who have interfacing projects which are part of a larger program of works or interconnecting linear projects in the same geographic area; or» whose performance is dependent on the respective performance of another contractor, for example design and completion interfaces between the parties. |
| 2 | Between the contractor and other government bodies and/or authorities. This does not extend to government agencies exercising independent regulatory functions as required under law. |
| 3 | Between the contractor and utility owners. |
| 4 | Between the contractor and other third parties that may be affected by work being performed at the site, but which may only become apparent after the contract has been entered into by the contractor and the client. For example, construction of a development on private land adjoining or in close proximity to the contractor's site. |

Interface risks are accentuated by the complexities associated with project programs comprising multiple packages of work procured through various contracting models.

OPTIONS:

Set out below are options available to address the principle as applicable to the particular circumstances of a project. The practices identified below should not be considered mutually exclusive. An approach could be to involve a mix of options. That mix could vary depending on contract type and procurement model.

| Practice | Applicability |
|---|-------------------------------------|
| <p>1 During the tender process, the client will identify interface obligations for tenderers to assess and respond to as part of their proposal.</p> <p>As a minimum, the client should provide bidders with information on interface definition to give bidders the opportunity to bid back and contribute to the interface framework as part of the tender process and enable discussions to be held between the client and interfacing parties prior to the finalisation of direct contracts.</p> <p>Interface agreements must reflect:</p> <ul style="list-style-type: none"> » what the interfaces are; » who is committing to do what, by when; and » contractual arrangements which incentivise the right behaviours and provide recourse for liabilities between the parties, which may include time and cost relief. | <p>Categories 1, 2 and 3</p> |
| <p>2 During the tender process, to the extent possible, the client provides the opportunity for open discussions or interactive sessions between the client and relevant interfacing parties prior to the finalisation of direct contracts, so that interface arrangements can be optimised.</p> | <p>All Categories</p> |
| <p>3 The client enters into interface agreements with the interfacing party early in the project planning/ procurement phase. Any interface agreement entered into by the client is then either novated to the contractor or obligations on the client in the interface agreement are incorporated into the project agreement as obligations on the contractor.</p> | <p>Categories 1, 2 and 3</p> |
| <p>4 Establish as part of the contractual framework an interface committee including a mix of lead representatives from the relevant interface parties responsible for delivery of the project. Leadership is required from all parties to proactively monitor and resolve interface issues in a timely way either through unanimous decision making or a clearly defined escalation process.</p> | <p>All Categories</p> |

| Practice | Applicability |
|---|----------------------------------|
| <p>5 With respect to interface works between two or more contractors, include a program review regime in contracts, where the contract encourages interface issues to be identified early and proactively managed by the parties working collaboratively throughout the term of a project. This may involve the contractor submitting a program which includes:</p> <ul style="list-style-type: none"> » the timing and sequencing of the works of the client and other third parties as agreed or stated in the works information; » dates the contractor will require access to site, plant, materials, acceptances and other things from the client and information from others; » revised programs must be submitted to the client for acceptance at regular intervals for the duration of the project; and » where the activities of third parties are not completed in accordance with the latest accepted program, the client bears the risk via the contractor being entitled to time and cost relief. | <p>Categories 1 and 4</p> |
| <p>6 Provide an entitlement to claim time and cost relief where the contractor is impacted by specific acts and omissions of:</p> <ul style="list-style-type: none"> » another contractor; » other government bodies/authorities outside of the control of the contractor; or » utility owners outside of the control of the contractor. | <p>All Categories</p> |
| <p>7 The client retains responsibility for government agencies such that where the contractor is impacted by another government agency, it is treated in the same manner as if the impact was by the client. This does not extend to government agencies exercising independent regulatory functions as required under law.</p> | <p>Category 2</p> |
| <p>8 New additional interfacing parties, which are brought on during the delivery of the overarching project:</p> <ul style="list-style-type: none"> » are provided relevant information of existing contractual arrangements (e.g. program, scope etc) and develop a tender response within that framework and provide transparent risk pricing for the interface risks; and » include as part of their tender submission relevant interface obligations (including dates) for existing contractors to prepare a variation proposal detailing the impact under existing contracts. The impact of the interface obligations on existing contractors should then be included as part of the assessment of the additional interfacing party's tender response. | <p>Category 4</p> |

| Practice | | Applicability |
|----------|--|-----------------------|
| 9 | <p>Require the use of Building Information Modelling (BIM) in the delivery of appropriate projects, accompanied by a contractual framework encouraging parties to actively contribute and collaborate. BIM on its own will not eliminate interface risk but interface management can be assisted by the use of BIM as a tool for early identification of physical and design interface risks.</p> | All Categories |
| 10 | <p>Where the interface risk arises in circumstances where the most appropriate party to be responsible for that risk is the client, the parties will first cooperate at senior levels to mitigate the risk.</p> <p>Where agreed mitigation strategies have cost and/or time implications, the parties will determine processes to ensure that those costs and/or time allowances are:</p> <ul style="list-style-type: none">» fair and equitable for the work undertaken by the contractor having regard to the risk;» represent value for money to the client; and» support the ongoing successful completion of the project. | All Categories |