

## CS-232 Project Management Services (The Experience in Sydney Australia)

Kumagai Gumi Co., Ltd. PFI Project Department Katsuaki Mitani  
Kumagai Gumi Co., Ltd. Overseas Project Department Takaaki Nakai

### 1. Introduction

In the recent years, Project Management has become a very popular topic at meetings, committees, conferences, and publications. Basically, Project Management is not a pure science following given laws or established rules. It is, rather, a task which is largely based on human relations and the specific knowledge, experience and character of Project Manager.

Table-1 Project Description

• Project Name	XXXXX Beach Hotel
• Location	C-Beach, Sydney, New South Wales, Australia
• Construction period	Aug.1989 - Nov.1991 (27 months)
• Site Area : Bldg Area	4,541 m <sup>2</sup> : 24,940m <sup>2</sup>
• Structure : No.of room	RC 9/2 : 207 rooms
• Main works	
Excavation : Foundation Piles	39,000 m <sup>3</sup> : No. Pile =89 (D:1200mm L:25m)
Diaphragm wall	No. Panel=43 (T:500mm L:20m-50m)
Concrete work : Form work	9,200 m <sup>3</sup> : 41,700 m <sup>2</sup>
Block work : Panel work	21,400 m <sup>2</sup> : 24,700 m <sup>2</sup>

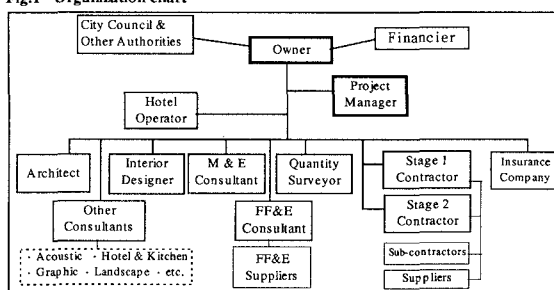
of this Hotel development is shown in Table-1.

### 2. Organization and Contractual relationship

Figure-1 shows how the overall contractual relationship is formed. In short, the client contracted directly with all the consultants after Project Manager had interviewed the candidates and recommended the best one to the client. Same process was applied when the client employed the construction contractor.

Although there was no legal binding between Project Manager and consultants or contractor, Project Manager's roles were precisely described in each consulting agreement and construction contract. Project Manager was authorized to act as an agent on behalf of the client to review and approve the conceptual design, detailed design, budget, design-variations, and variation orders (VO). Simultaneously, Project Manager should report all the issues to the client prior to sending the final notification of the decisions to consultants and contractor. One of the special characteristics in this case was that Project Manager was the empowered signatory to issue the cheques from the client's bank account, therefore Project Manager could control consultants and contractors stronger than normal situation.

Fig.1 Organization chart



### 3. Unique and Remarkable Services of our Project Management

During the pre-construction (project initiation) phase, we provided unique and remarkable services to the client as part of our Project Management Services. Followings are some of those services.

#### (1) Assist the client to select a Hotel operator

On behalf of the client, we interviewed some candidates for the Hotel operator, negotiated with them, and finally made a recommendation to the client who is most suitable as an operator for this Hotel.

After selecting a potential operator, we re-negotiated the terms and conditions for the Hotel management, and drew an agreement to execute the management on the basis of guaranteed income contract. This contract was beneficial to the client under the prevailing hotel operators' market at that time.

#### (2) Employ a marketing consultant for feasibility study of the Hotel

We employed the marketing consultant to conduct a Feasibility Study which included a financial model based on various assumptions to test the sensitivity of the "Pareto" items such as the type of the Hotel, target segments of hotel guests, size of guest rooms, capacity of ballroom, meeting rooms, restaurants and other facilities. This financial model was also useful for us to negotiate the management contract with the operator.

Key words: Project Management, Human relations, Project Development Plan, Communication Management

Contact: Kumagai Gumi Co., Ltd. ☎162-8557 2-1 Tsukudo-cho, Shinjuku-ku, Tokyo

Tel:(03)3235-8644, Fax:(03)5229-7090), E-mail:tnakai@ku.kumagagumi.co.jp

(3) **Implement the Value Management Study during the design phase**

Following the Feasibility Study, we invited all of the consultants, operator and construction specialist to implement the two-days sessions of Value Management Study which took the form of an intense, structured multi-disciplinary workshop via brain storming, in order to establish the basic consensus concept for the design development.

We encouraged all participants lateral and creative thinking to define the necessary functions of the Hotel, size and location of those functions, while considering how to improve the build-ability, maximize the usable space, and save construction costs and time. These sessions improved the communications between Project Manager, design professions, and the operator, and also provided an opportunity to refine building design, optimize functional quality of building and ensure good value for money. After this Value Management Study, we listed a list of various design and facility options including cost estimate for each items in order for the client to choose whether to take or not. This method assisted the client in understanding what he was paying for.

(4) **Establish the Project Development Plan**

In the initial phase of the Project, we established the Project Development Plan which formed the foundation for the subsequent design and construction phases. The Project Development Plan consisted of Project Objectives, Project Data, Functional Brief, Facility Management Brief, Financial Brief, Implementation Brief and Master Development Program, which provided Project Manager and the design consultants with background information to enable the design briefs to be prepared and the construction strategy to be developed. The purpose of the Facility Management Brief was to provide the client with a technique to ensure that: 1) the design and construction of the facility took into account the operation and maintenance criteria; 2) all the necessary data was properly assembled; and 3) the most effective operations maintenance and cost management procedures were established.

(5) **Assist the client's lawyer in writing and refining the construction contract**

Usually client/proprietor should adopt the standard construction contract which is a certain form of Building Works Contracts issued by the Contracts Committee of BOMA Australia. Since our Company had led many major construction projects in Australia at that time (e.g., Sydney Harbor Tunnel Project, office, retail and hotel development projects) and had strong influence to the construction industry, we had enough knowledge and power to negotiate with contractors on the terms and conditions of the construction contract. Therefore, we assisted the client's lawyer in writing and refining the construction contract in favor of the client. For example, under our construction contract, the contractor was obliged to accept the risk of and liability for delay or disruption caused by industrial disputes and inclement weather and was not entitled to claim for time extension and cost compensation for delays. Our assistance on this matter during the tendering phase helped the client to minimize the risk of cost over-runs and time extension.

#### 4. To bring the Project Successfully completed

To bring the project successfully completed, ideally time, cost, and quality must be in balance. However, these three independent factors are often inter (or counter-) related with one another. Followings are the major duties for Project Manager which we believe to be essential for the efficient management.

- (1) Prepare the Master Development Program indicating particular milestones such as acceptance of Building Approval, tender and soft opening of the Hotel, and Ensure that the design consultant team to prepare the detailed design programs and monitor them. (**Design Progress Management with Master Development Program**)
- (2) Hold and chair meetings as necessary for satisfactory coordination of the activities of the Project, communicate to all parties and Prepare reports at regular intervals with adjustments to program and recommendations on activities to be expedited to meet the milestone dates. (**Communication Management**)
- (3) Define specific cost studies for critical items which effect the final design concept, Prepare preliminary overall cost budget including contingency, and Obtain the client's understandings and approvals of the overall budget with the contingency at the beginning of the Project. (**Acknowledgment of Contingency by the client**)
- (4) Ensure that the quantity surveyor (cost planning consultant) makes regular design-cost checks to produce a monthly forecast cost at completion for cost control purposes that the budget is continuously monitored. (**Budget Control**)
- (5) Ensure that all contract documents and drawings for the tender are properly coordinated and the quantity surveyor double-checkes the cost estimate against the original client's budget before the tender. (**Preparation of Tender**)
- (6) Administrate the construction contract against the contractor strictly, in accordance with the terms and conditions of it. (**Strict Contract Administration**)
- (7) Organize and chair the weekly or fortnightly construction progress meetings with contractor and consultants, and report to the client at monthly intervals on particularly "actual progress compared with original tendered program", "variation orders and cost forecast at completion against tender amount" and "problems encountered and their solution". (**Construction Progress Management**)

#### 5. Consideration

Although Project Management itself is deemed to have an adverse impact to Builders/Contractors' business in Japan, we believe that there is a need for contractors to acquire a broader knowledge of Project Management in order to respond to client's versatile requirements and make the client to be fully-satisfied with the completed project. Our experience in Project Management introduced in this paper can serve as a good example in which contractors would perform the enhanced construction activities successfully.