

m b m c o n s u l t i n g

CONSTRUCTION & PROJECT CONSULTANTS



+44 (0) 1892 557290

www.mbmconsult.com

admin@mbmconsult.com



Productivity/Disruption Claims

Technical Services Information



Contents

What are they?.....	3
When do you need them?.....	4
Why do you need them?	4
How do we prepare them?	4
What value do they bring to our Clients?.....	6
How much do they cost?.....	6
Our successes	7
Why choose MBM Consulting?	7

What are they?

Productivity relates to the rate at which work is carried out. A contractor typically tenders for work on the basis of outputs it expects to achieve e.g. how much electrical cable can be pulled per hour or how much usage an excavator will have per hour/day. If these outputs are achieved or bettered the Contractor will make money, if the outputs are not achieved, it will lose money.

Disruption claims provide a means by which a contractor can seek to recover losses it has incurred, subject to the provisions of the contract, due to events or matters which have affected the regular installation of the works and which are the responsibility of the Employer.

Be aware that disruption claims are not simply a means for the contractor to claim additional costs it has incurred over and above its contract allowance. Subject to any prevailing conditions of contract regarding liability for such matters, the contractor must prove that the rate of productivity actually achieved on site, under normal site circumstances (which could be different from tender assumptions), was reduced due to matters caused by the Employer.

For example, a contract is let where a contractor's bid was based on achieving an output of 5m per hour of cable tray. Whilst on site he manages to install his cable tray at a rate of 7m per hour. Subsequently, due to matters caused by the Employer, such as delayed access to the workface, his productivity drops to only 3m per hour. The contractor may have a claim to recover the costs associated with the drop in productivity from 7m to 3m per hour. Such costs may include for additional manhour expenditure.

When do you need them?

Contractors should have effective systems in place to record productivity of installation over time. At its simplest this would be by measuring installed quantities of work per day and comparing this with the labour/plant expenditure required to achieve this output. This should highlight when productivity does or does not reach required outputs and hence when money is or is not being made. If productivity drops below the required threshold then the contractor should investigate why. The results will allow it to rectify any of its own inefficiencies, or if the drop in productivity is caused by the Employer, consider how such disruption costs can be recovered in accordance with the provisions of the contract.

Why do you need them?

At the most basic level, they are needed to recover money otherwise lost due to inefficient installation. A useful rule of thumb is that if you are spending more on labour than you contracted then you need to review your productivity carefully. Productivity reduction can have a serious effect on bottom line profitability. Unless productivity is effectively monitored costs can escalate rapidly, often without knowing why, resulting in a potentially profitable project becoming a source of seemingly endless costs.

Those contractors that employ direct labour or carry out specific trades, such as mechanical and electrical, brickwork, curtain walling, decorating etc should pay particularly close attention to productivity. Similarly, employers should be aware of changing rates of productivity and consider the records they require from the contractor to monitor progress of installation.

How do we prepare them?

The quality of any claim is dependent on the records available however the difficulty is actually knowing what records should be kept and in what format. This is particularly so of disruption claims, where capturing appropriate data is often difficult and misunderstood. However it is not just about records. Without an understanding of the requirements of an effective disruption claim, good records will not make a good claim. A strong understanding of disruption claims can help maximise the benefit of those records that are available.

MBM's approach is to review the contract to establish the contractual basis upon which a claim can be founded. We will then review available information to assess its quality, extent and how it can be used. Disruption claims often involve large amounts of data and MBM is adept at using modern technology to collate, edit and review information to get it into an acceptable and appropriate format ready for analysis.

We then look to understand the factual matters that have resulted in a reduction in productivity. This allows us to establish if the additional costs are caused by disruptive matters or other issues which could be particularised separately. For example, increasing the complexity of services installation will require more time to install, but the additional manhours may be recoverable by way of valuation of the changed work as opposed to through a disruption claim.

Once we have identified the causes of disruption we seek to link the factual events with a productivity profile created from the base productivity data. This allows a clear relationship to be demonstrated between factual events and lost productivity. This may allow the development of a measured mile analysis, which is generally regarded as the preferred methodology for demonstrating disruption. However whether this is possible will depend on a number of factors such as whether the contractor was actually able to work for an appropriate period without interruption. It should also be noted that a measured mile is only effective when correlated to disruptive events, otherwise all it shows is changes in productivity over time without any explanation why such changes have occurred. We also seek to link productivity to progress programmes to establish and corroborate disruption patterns.

Ultimately we pull together the data and facts such that the losses are clearly demonstrated and explained in a clear and robust supporting narrative.

What value do they bring to our Clients?

A well-produced disruption claim can bring many benefits:

- The recovery of additional costs which can turn a project from loss to profit.
- The identification of matters which have affected site progress which can potentially be remedied on this and other projects.
- Awareness of the quality of record keeping required on this and other projects to both monitor productivity and establish the causes and extent of loss.
- The identification and understanding of problem areas of a project allows the site team to manage installation more effectively.
- The opportunity for the site team on this and other projects to increase their awareness of productivity generally; its effects on a project and how it can be managed in future.
- Improved commercial performance and profitability.

Too often disruption claims are seen as a “negotiating margin” in a claim or final account principally because the disruption claim is inadequately prepared. However a strong and effective claim should be regarded as a potentially effective means of recovering costs which have genuinely been incurred.

How much do they cost?

When considered in relation to the potential losses, they can be very cost effective. The extent of work will determine overall resource requirements and hence cost, whilst adopting a clear structure and approach which all the team can buy into will allow MBM to adopt an efficient process-orientated approach.

MBM would carry out an initial review to establish what is most appropriate for the particular circumstances as we would not advocate an all-encompassing claim if that is not what is required. MBM seeks to act proportionately preparing documentation commensurate with its intended purpose.

Our successes

Our experience with disruption claims covers many major projects such as:

- MOD Building, Bristol
- Jubilee Line Extension
- Channel Tunnel Rail Link
- Scottish parliamentary Building
- Kearn Oil Sands
- SIDRA
- Grain LNG
- Monksland Sewerage Scheme
- Major Steel Plant – Saudi Arabia

Why choose MBM Consulting?

MBM has a wealth of experience preparing disruption claims. This has been gained on major projects in the UK and overseas, including Ireland, the Middle East and Canada. We have worked on major projects in sectors such as build, rail, utilities and oil working for major contractor and subcontractor organisations.

If you would like to know more, please do not hesitate to contact:

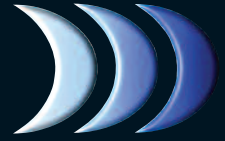
Jonathan Bowcott *BSc (Hons) MRICS, MCI Arb*

Jonathanbowcott@mbmconsult.com

+44 (0) 1892 557290



**Comprehensive construction,
civil engineering and
engineering consultancy**



+44 (0) 1892 557290
www.mbmconsult.com
admin@mbmconsult.com



Extension of time preparation
Critical path analysis
NEC Accepted programme preparation
Productivity analysis
Labour and resource disruption
Money claims
Financing claims
Compensation event preparation
Resource solutions
Project improvement and turnaround
Arbitration services and support
Training & seminars

Forensic delay analysis
Tender planning
Progress monitoring and progress updates
Measured mile analysis
Prolongation claims
Head office overhead claims
Acceleration claims
Commercial management
Contentious account management
Adjudication services
Expert witness services