

# Design Build Operate Procurement and Delivery Methods in Finland

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# What are DBO Procurement and Delivery Methods?

- The concept refers to procurement and delivery methods in which the service provider bears a longer and more extensive than usual responsibility for a building before and after completion.
- DBO methods include at least designing and construction of a building as well as maintenance and repairs for a period of time agreed upon between the client and the service provider.
- DBO methods may also include responsibility for financial arrangements and various services directed at the end users of the building.

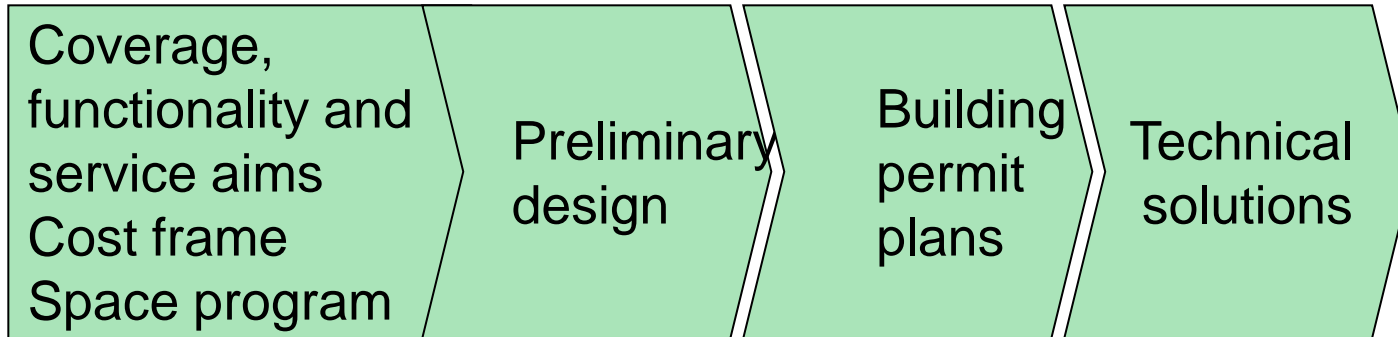
# When and Where Can DBO Methods Be Applied?

- DBO suits for both new construction and renovations
- DBO suits for both commercial/institutional facilities and housing area projects
- The client may be from the public or the private sector
- Various service packages, contract periods, and risk divisions can be designed according to the clients' needs
- Combining smaller projects into large entities for bidding procedures improves the preconditions of implementing the projects

# Arguments for DBO Methods

- Within the municipality sector there is interest in developing and implementing DBO methods
  - Improving effectiveness, concentrating on core tasks, new alternatives for financing projects, availability of competent personnel
- Construction industry gets more business opportunities via extending its services
  - Design, construction, maintenance – the complete package
  - Integrating HVAC expertise, making the most of existing networks
- For the society DBO methods are a means of improving productivity
  - New procurement methods encourage to view old methods critically
  - The condition of properties and the productivity of the national economy improve as the amount of badly maintained real estates diminishes
  - DBO methods motivate the parties involved to aim at value for money and the transformability of buildings for different purposes
  - DBO methods boost innovations and R&D activities

# Client's Objectives – Service Provider's Solutions



Procurement process

Procurement process

Procurement process

Service provider's possibilities of influencing the characteristics and the life-cycle economy of a project

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# Objectives of the DBO project

- Defining the main alternatives of DBO procurement and delivery methods
- Establishing principles of comparing traditional procurement methods with DBO methods and developing tools for estimating their economic consequences and decision making
- Creating guidelines for designing calls for bids for DBO procurement
- Outlining main features and procedures of DBO contracts
- Searching aspects of the current legislation that pose obstacles to DBO procurement
- Gathering and communicating information about DBO methods and their best practices both in Finland and abroad

# Participants of the DBO Project

The development project is coordinated by the Confederation of Finnish Construction Industries RT with its partners:

- Ministry of Trade and Industry
- Ministry of Defense
- Ministry of Environment
- Cities of Espoo, Helsinki, Tampere and Vantaa
- The Association of Finnish Local and Regional Authorities
- The Finnish Association of Building Owners and Construction Clients

The participants also include numerous contractor companies and construction material producers.

# Task Division of the DBO Development Project

## Management

### Coordination

- Steers the implementation of the project and the work of other groups

### Main models and processes

- Explores various alternatives for the contents of DBO arrangements and procurement processes

### Life cycle economy

- Defines guiding principles and creates tools for economical analysis of DBO methods

### Legal issues

- Creates guidelines for carrying out DBO bidding processes and estimates development needs of the current legislation

### Model contracts

- Develops model contracts for clients and service providers

### Communications

- Gathers and distributes information about DBO for stakeholders

# Main Variants of DBO Methods

Main Components	DBO procurement options				
	a	b	c	d	e
Programming	■	■	■	■	■
Design	●	●	●	●	●
Construction	●	●	●	●	●
Maintenance	●	●	●	●	●
User services	■	●	●	●	■
Finance	■	■	●	●	●
Ownership	■	■	■	●	●
Use/operation	■	■	■	■	■

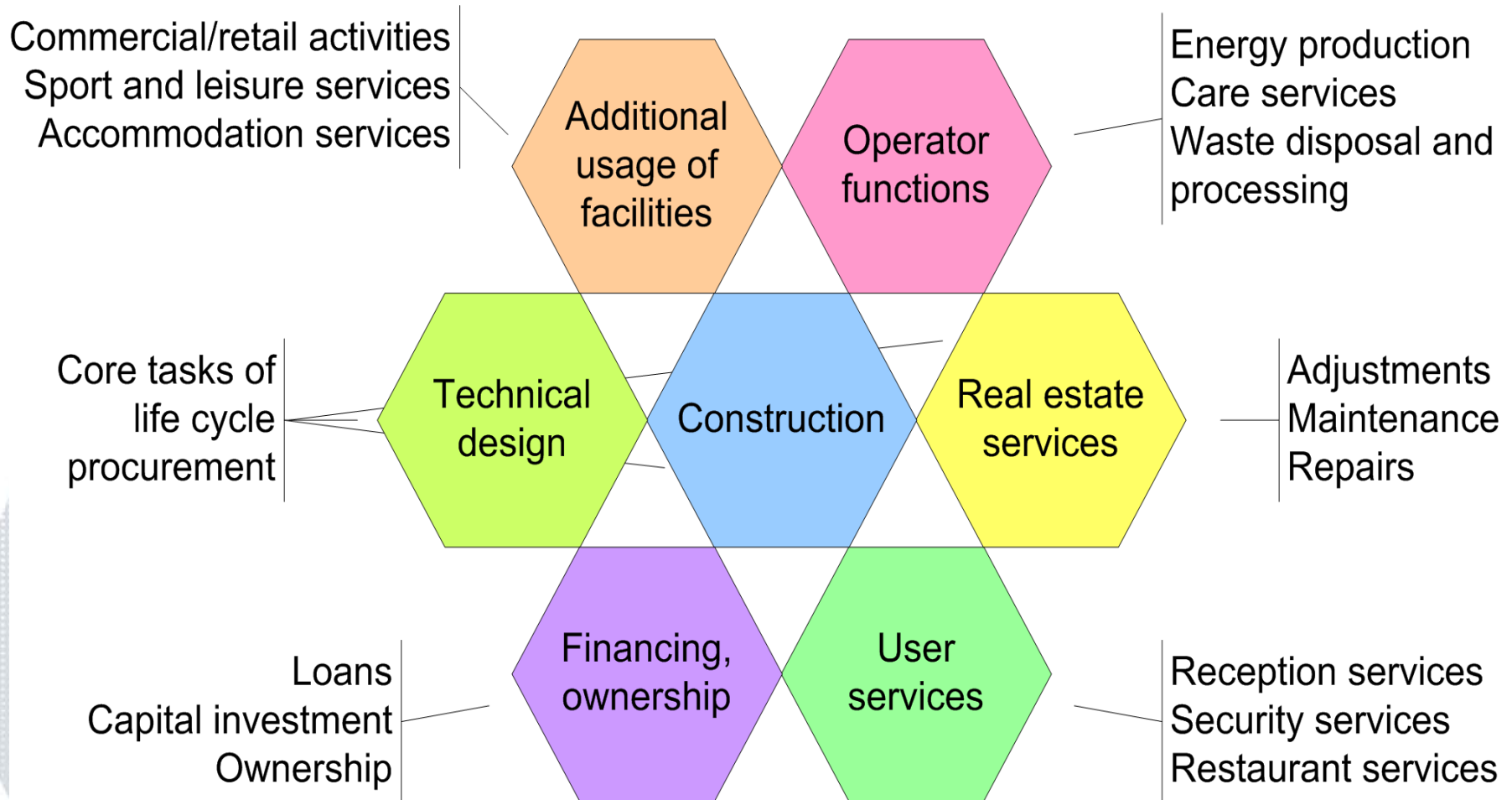


Owner



Service provider

# Components of DBO Methods



# Main Parts of the Basic Model Contract

- Part I, Service contract
  - Definitions of the involved parties and their representatives, the purpose of the contract, the project, and the contract period
- Part II, Design and construction phase
  - Definitions of the rules and conditions regarding the designing and construction of the project
- Part III, Service period
  - Definitions of the duties, responsibilities and cooperation procedures of the parties during the contract period
- Part IV, Termination of the contract
  - Definitions of the preconditions regarding the termination of the contract and the duties that come into effect as a consequence
- Part V, General rules and regulations
  - Definitions of the rules and conditions of transferring the contract duties and responsibilities to third parties, of solving possible conflicts and disagreements and of the contract coming into force

# Results of the DBO Development Project

- The project will be completed in June 2006, its outcomes being
  - Descriptions of contents of different DBO variants
  - Examples of solutions for descriptions of service quality levels
  - Examples of solutions for contracts
  - Guidelines for carrying out DBO bidding procedures and projects
  - Principles for economical comparison between different DBO methods and the traditional procurement methods
  - Recommendations for reforming current legislation, particularly regarding taxation
- Development and piloting should be speeded up in order to get experience of more actual cases of DBO
  - The suitability for different projects and the optimal extensiveness of DBO methods will be estimated through practical experiences
  - The growth of project volumes furthers learning, the methods will be refined, and there will be functioning markets for DBO procurement and delivery

# Thank you for your attention!

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