



MARKET TRENDS: General contracting in retreat

In a situation when the availability of contractors on the market is limited, investors increasingly tend to divide a range of construction works into packages. **Wojciech Heliasz**, Director of Construction Management Department at Bilfinger Tebodin, explains in his interview to PropertyNews.pl, that this kind of contracting strategy brings an added value to the investor.

What are the possible options of contracting on the market?

In terms of a **traditional General Contractor's approach (EPC)** the main contractor would split tender documents into subcontractor packages, which are geared to the most competitive returns. These are then included into the main contractor's offer to the client.

In terms of a **management or packaging approach (EPCm)** the client's cost consultant and the management company in cooperation with designers decide how to package the works. They direct the team to produce package designs suitable for obtaining subcontracts in terms of the management contract.

You see the trend of choosing this so-called 'packaging' or EPCm approach. Why?

Right. Such method of procurement allows working on design and construction phases in parallel. With a construction management contract (EPCm) each package contractor speaks directly to the client and is administered by the construction management company.

Packaging is more profitable for the investor, because it is simply cheaper. You can save up to 10% of CAPEX budget versus general contracting. What is even more important, you also get a better quality of services, as you choose specialized contractors in each discipline.

Another packaging approach benefit is flexibility in changes implementation. The investor, who has more control over a particular contractor, can faster and easier deal with obstacles encountered.

This strategy also allows you to replace one packaging contractor with another, if required, without any critical raise in costs.

In which types of projects do you see this tendency?

I would say that *general contracting* is in retreat *generally*. Change of the trend is most evident in case of large-scale investments. For instance, in Central & Eastern Europe we see it in real estate sector, especially if the budget of the investment exceeds the value of at least 25 million euro. As mentioned, investors want to have a bigger control over the quality of services, influence potential changes and track the progress directly. At Bilfinger Tebodin we have recently issued the updated Cost Control white paper, analyzing other trends on construction market, check it on our website to [learn more](#).

Are there any bottlenecks you would advise to take into account?

I would advise to pay attention to a professional management and coordination. The most problematic challenge is the dispersal of responsibilities between smaller contractors. To solve this issue, each package contract should be perfectly worked out to mitigate the risks. The best solution for the investor is to engage a qualified construction management team (an EPCm company). Such reliable partner will guarantee efficient and timely building works and therefore save the costs.

Summarizing all the pros and cons, it is a proper choice if a company wants to save the money, have more flexibility in changes implementation and less risks of budget increase during the project.