

# Design-Build Contracts in the Nordic countries

Reporting by “NVF ad hoc group” work regarding  
experience from design-build contracts

1 June 2018

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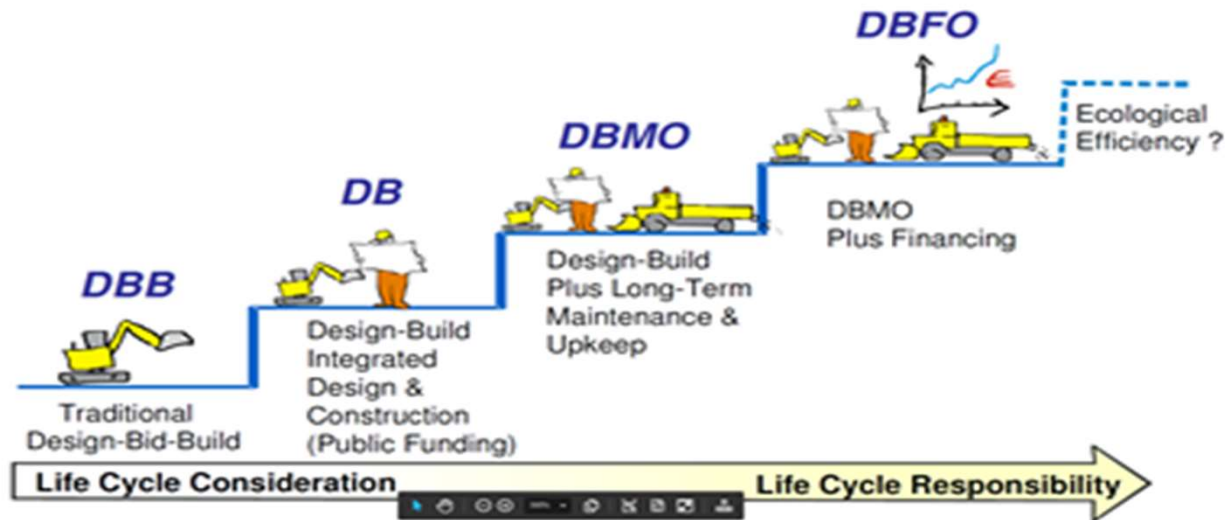
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# Introduction

- This report has been prepared by the ad hoc group for design-build contracts of the Nordic Road Association
- (NVF). The group was formed in autumn 2016 for the specific purpose of studying how to optimize the use of design-build contracts in road construction.
- The group, which consists of Nordic consultants, contractors and clients, has studied the conditions in Denmark, Finland, the Faroe Islands, Norway and Sweden, respectively.

# Definition

## Culture



# Norway

- Norway is experiencing a period of intense activity in public investments. In road construction, the activity level towards 2023 is expected to lie between NOK 30 and 35 billion
- In Norway, the biggest projects are getting bigger. The share of projects over NOK 1 billion is thus expected to increase
- The Norwegian market for design-build contracts is experiencing strong growth.
- The market is characterized by two major clients; one (Nye Veier AS), the other (Norwegian Public Roads Administration)
- Nye Veier's client strategy is to carry out almost everything as design-build contracts
- The Norwegian Public Roads Administration wants to increase its use of design-build contracts from the current level of 5% to 40% in the future.
- In summary, we see a Norwegian market which increasingly uses the design-build contract format,

# Sweden

- We find that the market for design-build contracts is more mature in Sweden than in many of the other Scandinavian countries.
  - One of the reasons for this is that, back in 2003, Sweden initiated a very thorough dialogue with the central players in the market. This took place under the headline 'Förnyelse i anläggningsbranschen (FIA)
- In 2014-2015, Trafikverket reached its target of tendering 50% of infrastructure contracts as design-build contracts. Initially, the goal was to reach this target in 2018, so it happened a number of years earlier than expected.
- A clear client strategy The various execution models are linked to the different contract categories, and the Swedish Transport Administration has prepared a structured matrix which the market knows well
- The Swedish Transport Administration has also launched a number of innovations. 'Samverkan Hög' is a model used to select the form of contract and the related execution model. The model is named according to the highest level of cooperation in the model. In other words, the parties share many of the same interests. Instead of being solely responsible for their own part of the project, the parties join a community where together, they must balance the planning of the project, solution models and skills subject to a high degree of shared responsibility and risk.

# Finland

- Finland started to focus on the design-build contract format in earnest around 2000. We also characterize the Finnish market for design-build contracts as mature.
- Finland has also developed the contracting models and has started using a model called the 'Alliance model'. The Alliance model is characterized by the client and one or more service providers (consultant, contractor, etc.) cooperating as one team. In fact, Finland has focused strongly on developing the team spirit in the use of designbuild contracts and the alliance contracts.
- In many ways, Finland may be described as a 'first mover'. Finland was also one of the first countries in the world to return a road to the state after a PPP project.
- However, the Finnish construction market is stagnant with only 1% growth in 2018. The share of design- build contracts varies each year, which is due to the fact that each project is evaluated individually, and that both forms of contract and execution models are decided from one project to the next.
- Finland applies practically all procurement procedures.

# Denmark

- The use of design-build contracts in road construction was introduced in earnest as part of the Danish Road Directorate's procurement strategy in 2010-2011.
- Another element was the heavily intensified activity following the Danish parliament's adoption of 'A green transport policy' in 2009.
- The Danish Road Directorate therefore saw a need for making the Danish market attractive to foreign tenderers to ensure continued optimised competition..
- In order to kickstart the development, all contracts above DKK 100 million were generally made as design-build contracts.
- Most of the projects from e.g. 'A green transport policy' will soon be completed, and since no new projects have been granted to the same extent, investments have started to show a declining trend within the traffic area, and particularly within the road area, in 2017-2019.



# The Faeroe Islands

- In the Faeroe Islands, the client typically orders the project, the consultants do the designing and the contractors execute the project. Most construction works are public. The largest clients are: Landsverk, the municipalities and a number of publicly owned companies. The consultants are typically Faeroese consultants, who might hire foreign experts.
- Generally, design-build contracts are not considered relevant for the Faeroese market for road construction since the market is too small. Nor do the contractors show any particular interest in designbuild contracts.
- However, several of the elements of design-build contracts such as the form of cooperation, early involvement, distribution of responsibility, etc. may advantageously be implemented in the Faeroese building and construction industry. It should therefore be expected that the Faeroe Islands will start to see more and more of these elements in Faeroese construction projects in the future.
- The Faeroese market for road construction is characterised by a few, large contractors who bid on the large (and small) public projects. The contractors are mainly Faeroese contractors who may choose to hire foreign labour. The exception is a large-scale tunnel project – ES tunneller – of which NCC is the contractor.
- Expectations for the development in the market for road construction are practically no growth. The market is expected to a total of approximately DKK 40 million in 2018, 2019 and 2020

# Main issues

- **Use of market dialogue**

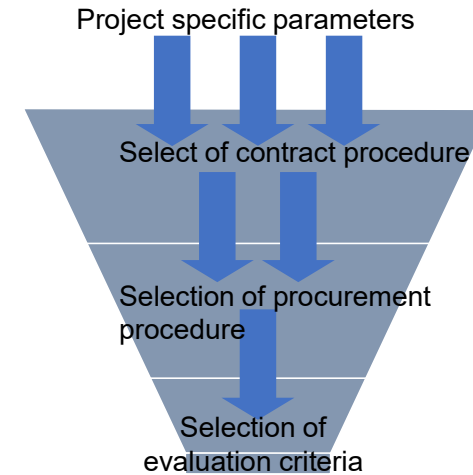
- Cultural change - from single player to multi-player
- Breaking down barriers
- Ensuring shared responsibility
- Ensuring good use of the Design-Build potential



## Main issues

### Structure of the clients execution models

- Clarity of choices
- Consistency related to award criteria
- Ensuring innovation
- Clear risk distribution and management



# Main issues

- **Focus on skills**

- Client, design-build contractors, and consultants
- Need for understanding right to the final link
- Different mind-set
- More personal collaboration skills and not solely technical skills



# Design and build in The Nordic Construction Market:

