

**STANDARD CONTRACT
AND PROCEDURES
IN
FACILITATING PROJECT DELIVERY**

By



U.L. DOHARE
EXECUTIVE DIRECTOR (PROJECTS)
INDIAN OIL CORPORATION LIMITED
REFINERIES DIVISION, NEW DELHI

TYPES OF CONTRACTS

- **CONVENTIONAL**
- **LUMP SUM TURNKEY (LSTK / EPCC)**
- **LEPCC**
- **COST PLUS**
- **BUILD-OWN-OPERATE (BOO)**
- **BUILD-OWN-OPERATE-TRANSFER (BOOT)**

TYPES OF CONTRACTS

➤ **Conventional**

- **Engineering, procurement, construction supervision carried out with assistance of EPCM consultant**
- **Order placement by Owner**
- **Construction by conventional contractor**
- **Commissioning by Owner with Licensor's assistance wherever applicable**

➤ **EPCC (Engineering, Procurement, Construction Commissioning) / LSTK (Lump Sum Turn Key)**

- **Technology supply by Licensor**
- **Front End Engineering Design (FEED), tendering and overall project management with assistance of Project Management Consultant (PMC)**
- **Engineering, procurement, construction and commissioning carried out by LSTK/EPCC Contractor.**
- **Commissioning by Contractor, Owner with Licensor's assistance**

TYPES OF CONTRACTS

➤ **LEPCC (including Technology supply by LSTK Contractor)**

- **Technology supply by Licensor**
- **Tendering and overall project management with assistance of Project Management Consultant (PMC)**
- **Technology, Engineering, procurement, construction and commissioning to be carried out by selected LSTK/EPCC Contractor**

TYPES OF CONTRACTS

- **Build-Own-and-Operate (BOO) :**
A contractual arrangement whereby a private party is authorized to finance, construct, own, operate and maintain an infrastructure or development facility from which the proponent is allowed to recover its total investment, operating and maintenance costs plus a reasonable return thereon by collecting fees & or other charges from facility user(s).

TYPES OF CONTRACTS

- **Build-Own-Operate-and-Transfer (BOOT) :**
A project based on the concept that a private party, who is responsible for the construction, financing, operation and maintenance of a facility over the period of the contract before finally transferring the facility, at pre-determined cost to the Principal, a fully operational facility. During the contract period, the promoter owns and operates the facility and collects revenue in order to repay the financing and investment costs, maintain and operate the facility and make a margin of profit.

TYPES OF CONTRACTS

✓ **COST Plus :**

A contract agreement wherein purchaser agrees to pay the cost of all labour and materials plus an amount overhead and profit

➤ **PMC (Project Management Consultant for LSTK mode of execution)**

- Front End Engineering Design (FEED), Tendering for LSTK selection, Construction Management and overall Project Management

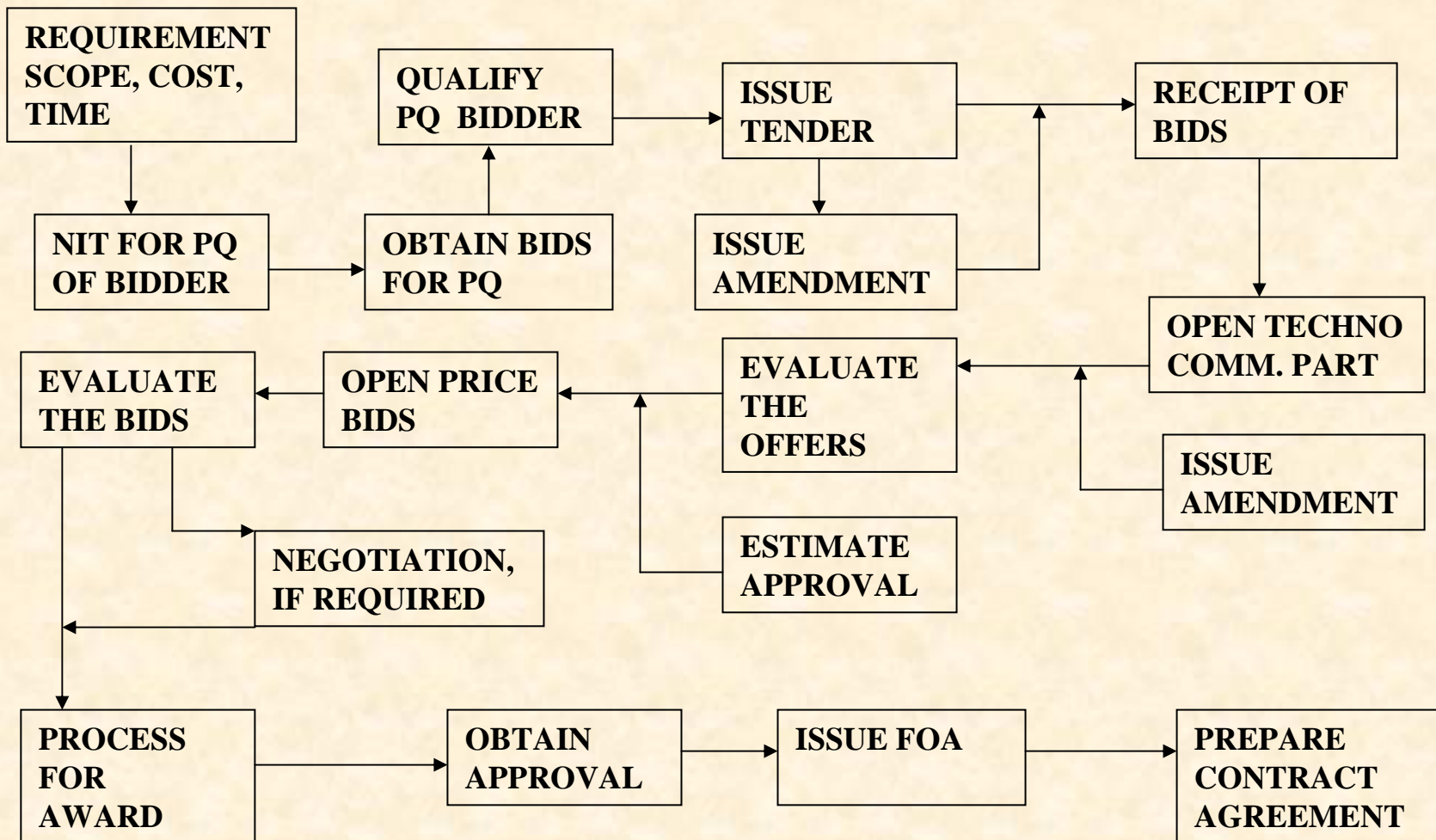
➤ **EPCM (Project Management Consultant for Conventional mode of execution)**

- Detailed Engineering, Procurement, Tendering, Construction Supervision and overall Project Management

Contracts - Advantages & Disadvantages

| Mode | Advantages | Disadvantages |
|-----------------------------------|--|---|
| LSTK – One single Contract | <ul style="list-style-type: none"> • Single point responsibility – Not dependent on other job/contract failures • Procurement faster • Less coordination effort for client • Faster mid-course correction for delays • One comprehensive guarantee for plant | <ul style="list-style-type: none"> • Size of contract big – few bidders • Expensive • Less flexibility w.r.t. scope changes |
| Conventional | <ul style="list-style-type: none"> • Cheapest Option • More Flexibility w.r.t. changes in scope of works | <ul style="list-style-type: none"> • Dependency on PMC for engineering • Procurement & tendering system – time consuming & in-flexible • Extensive coordination/ supervision work for client • No comprehensive guarantee |

PROCEDURE FOR PMC/EPCM/LSTK



PROCEDURE FOR CONVENTIONAL WORKS

