



# PROJECT MANAGEMENT

The \$150 million redevelopment of the Melbourne Cricket Ground, to be completed in 1992, is proceeding under a new type of contract, described in this supplement's lead article. This supplement also includes a description of a silicon plant project in Western Australia, an account of the advantages of increased computerisation in managing Latrobe Valley coal mining operations in Victoria, and a description of two project management courses.

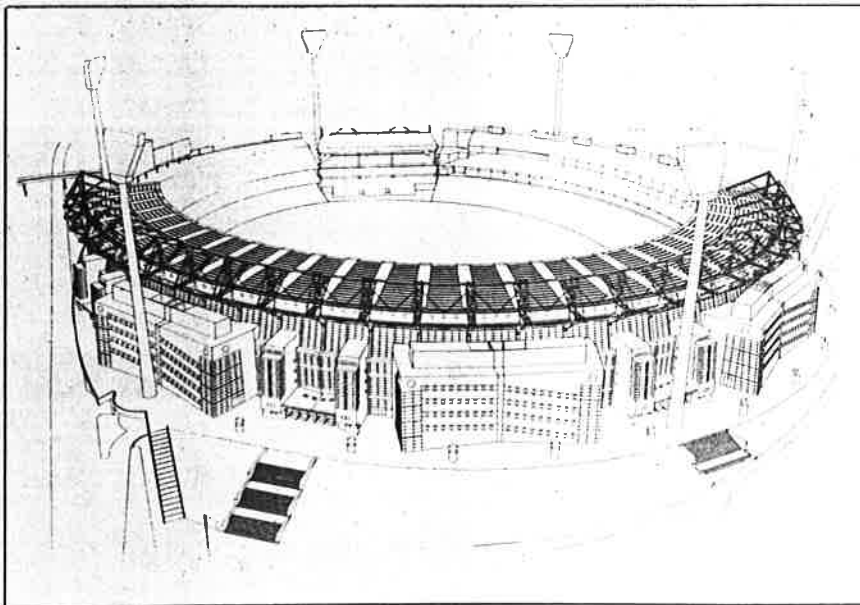
## MCG redevelopment under new-style management

**A** new type of contract, called a Novation contract is being used with the \$150-million redevelopment of the Melbourne Cricket Ground.

The MCG project involves redeveloping 45% of the stadium which can accommodate more than 100,000 people. The existing southern stand will be demolished and in its place will be constructed a four-tiered stand with improved seating and viewing facilities, upgraded catering facilities and additional sponsor boxes. The project is a key plank in Melbourne's bid for the 1996 Olympic Games and is expected to be completed in 1992.

The concept behind Novation is that the principals appoint designers who prepare the project's detailed designs and specifications. Contractors then tender on the basis of finalising the designs and constructing the project. In accepting the contract, the contractors assume all responsibility and cannot claim against the principals or designers for design omissions, errors or other problems. The passing of responsibility from one to another is the innovation which the name of the contract concept refers to.

"The Novation contract evolved from work carried out by the government's Australian Construction Services into limiting its contractors' time and cost overruns," said Paul Steinfort, PSA Project Management. PSA is responsible for project planning and control of the MCG project. Steinfort is confident that Novation will replace Design and Construct, and Construction Management contracts on large projects. "The main problem with the former is that as the design brief is usually small, there is very little contractual hold over project specifications and quality. As the time and cost of the latter contract type is often not exactly specified, overruns are common. Novation minimises these problems by passing all the responsibility back onto the contractors and eliminating any opportunity for variations or extensions. So unless the contractors perform, there is little gain."



*The Melbourne Cricket Ground redevelopment project, to be completed in 1992, is a key part of Melbourne's bid for the 1996 Olympic Games*

The MCG Novation contract is a further development of two Novation contracts that have already been signed in Melbourne. "We are involved in both the other contracts and this time we advised the Melbourne Cricket Club to invite potential contractors to be involved in developing the specifications before we called for tenders. This makes both their and our jobs easier," Steinfort said.

He said the results to date of both existing Novation contracts have exceeded expectations. Both the Telecom and Commonwealth Office buildings are on time and cost, and no significant variations have been claimed in either project.

"Because Novation puts the pressure on the contractor to perform, some contractors have not been receptive to the concept. However, in the case of the MCG project, all six contractors invited to tender accepted it, he said.

Steinfort warned that Novation will not work everywhere. "In smaller capital cities, Novation may not be possible as there is often a limited number of companies with a proven record of both designing and con-

structing and in other cities, unless there is sufficient competition, contractors may not be keen to be the first to accept such a demanding contract," he said.

John Holland Constructions was selected as the prime contractor.

Although the success for the contractors of the MCG project will be seen by some as a test of Novation, Steinfort believes it will be more a test of the selection of contractor, and of managing industrial relations on a high-profile site. "Principals may see Novation as a way to take advantage of contractors and select the lowest bidder. But for Novation to work, the contractor must have the ability to complete the project and make a reasonable profit. This is especially true in an area that is new to all parties."

One of the indirect consequences of Novation may well be a higher quality of engineering work, believes Steinfort. "Increased emphasis on details and getting it right the first time will be essential to staying on budget and on time. In many ways, Novation will return construction to the old days of performance-based work."

— Athol Yates