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Cooperating with the market: getting ready for large-scale construction

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#RailBaltica



With each megaproject comes a learning curve

Lessons Learned

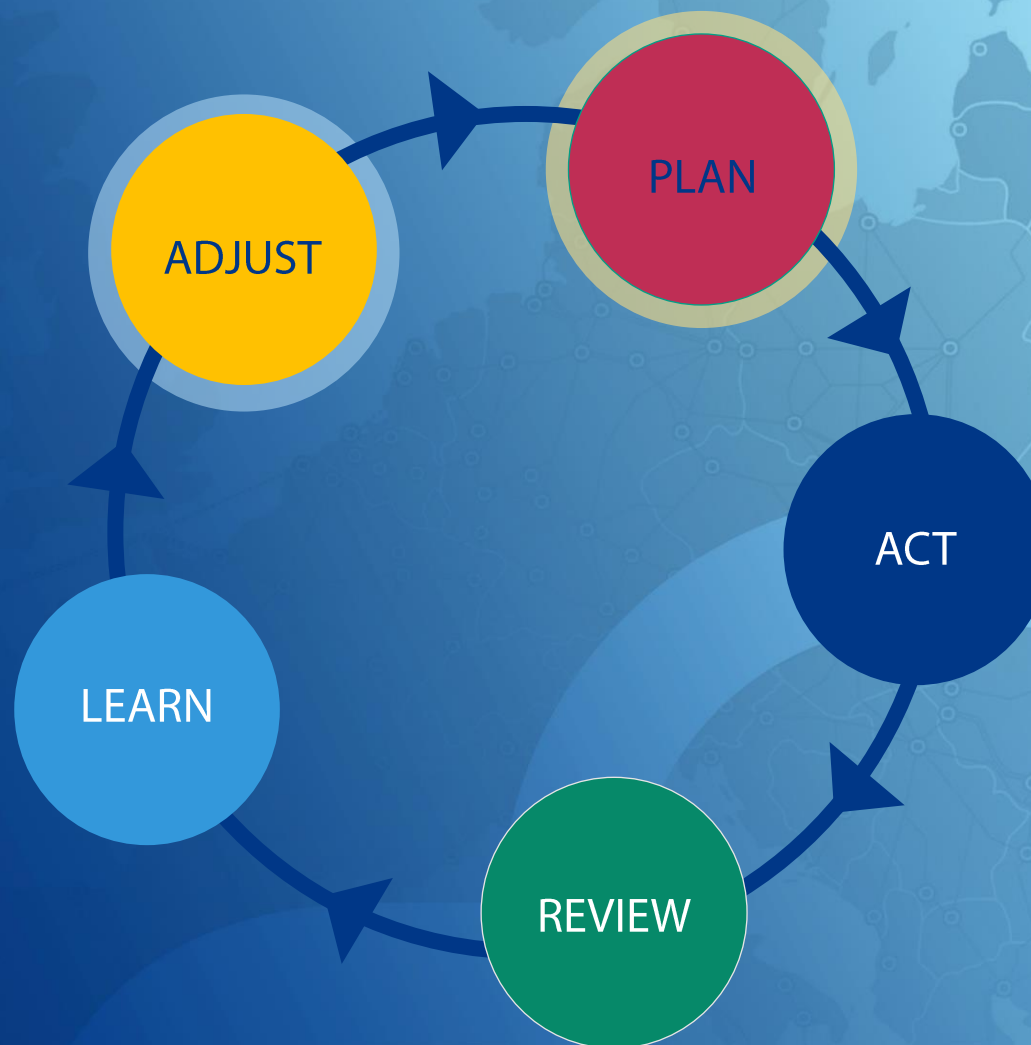
- Possible improvements for future contracts

Supplier Market Approach

- Capacity and capability
- Acceptability of approaches
- Key issues

Requirements

- Project Requirements
- Organisational Capabilities
- Stakeholder Expectations



Major Challenges Internationally

**RUSSIAN
AGRESSION
IN UKRAINE**

**COVID-19
CORONAVIRUS**

**ENERGY
CRISIS**

**INFLATION
GLOBALLY**

**WAR
ISRAEL-HAMAS**

NEW APPROACH REQUIRED!

Due to significant changes over the past few years, it is necessary to understand the impact upon project implementation and adjust methods and mechanisms to allow for continued seamless delivery.

Macroeconomic Overview

Volatility in material prices

Fluctuating energy prices

Variability of input costs is high

Number of variables increased

Construction market
environment changed noticeably



Microeconomic Overview: Supplier Discussions

Specific Impact upon the Rail Baltica Market

Packaging
of Contracts

Price
Indexation

Closer
Cooperation

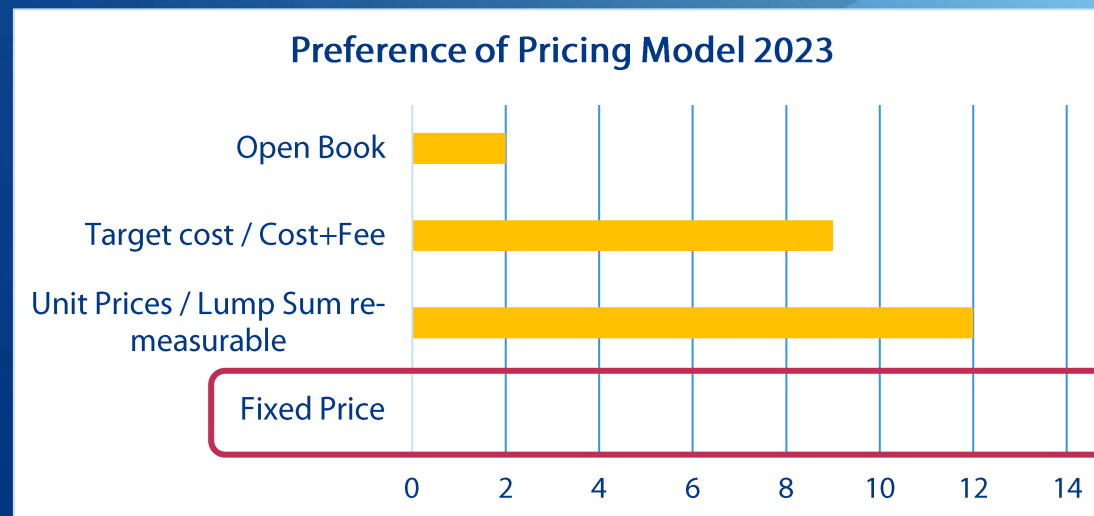
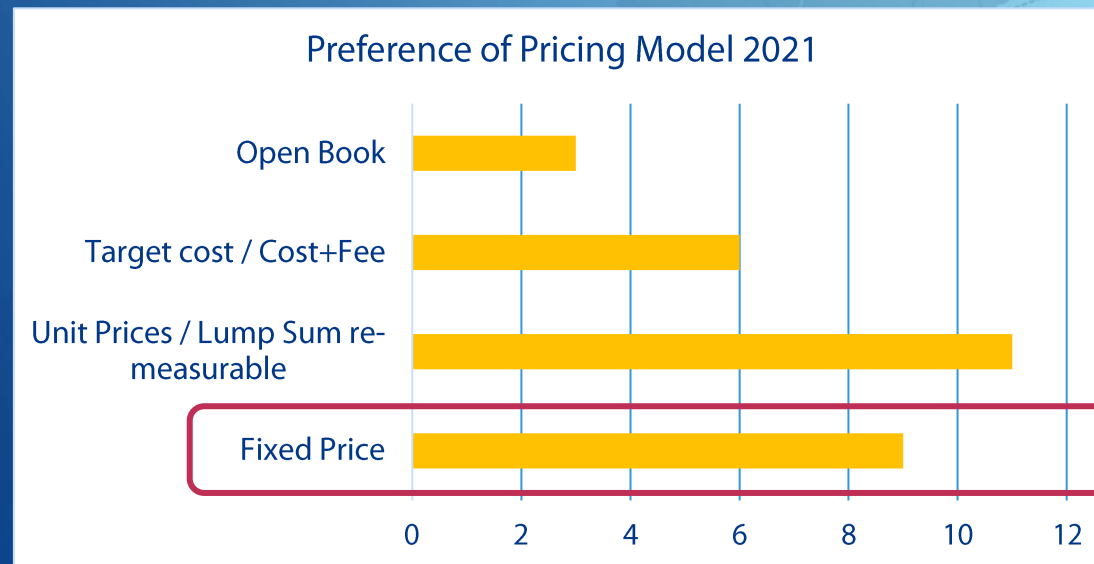
Technical
Requirements

Risk
Management

Client Support in
Implementation

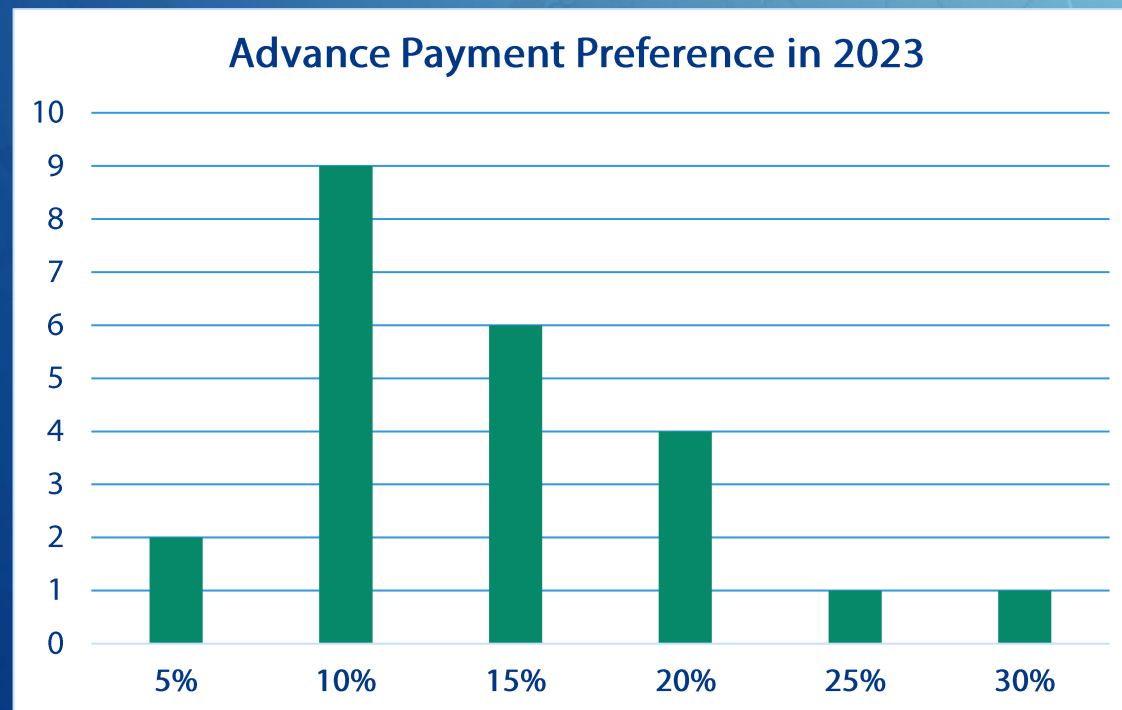
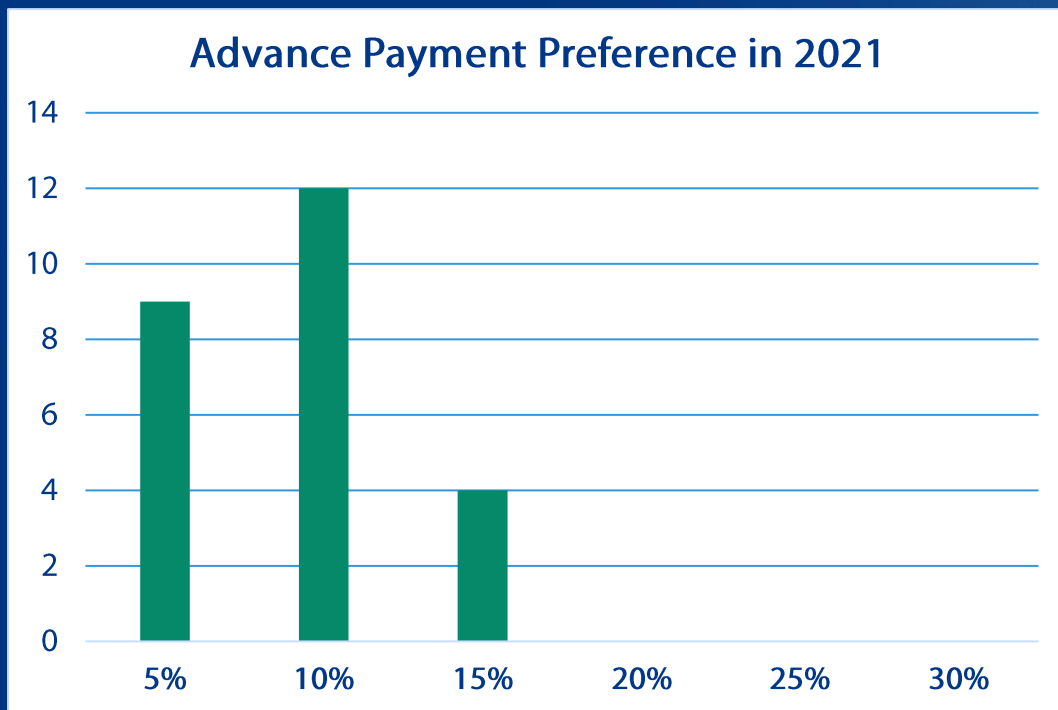
Preferred Pricing Models

- Fixed Price no longer preferred
- Re-Measurable still believed to work
- Cost + Fee / Target Cost becoming more favored
- Indexation is key from 12mth onwards
- Regular payments and cashflow assurance



Advance Payment Preference

- Advance Payments more significant than before
- Should be relevant to contract duration, initial commitments by Contractor and contract volume



Full Steam Ahead

- What is available
- What are the risks
- What is possible and doable



Sectioning & Scope

Contractual Relationship

Pricing & Payment

Project Controls

Appropriate Resources



- What is available
- What is missing
- What is possible and acceptable

Market Capabilities and Resources

Feasible Approach and Way Forward

Organisational Capabilities, Resources, Stakeholder Expectations



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Thank you!

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