

Construction and Quantity Surveying Overseas—1

"Construction and Quantity Surveying Overseas" was the theme of the Members Seminar held at The University of Warwick on the 7th April 1978. This is the first part of a report on the Conference and comprises the morning session of which the Chairman was C. F. J. Webb, FIQS, FIARB, FRSH, Vice-President. We are indebted to Mr. R. P. Harris, MSc, ARICS, AIQS, for compiling this report.

FOREWORD

Aims of the Conference

The Conference was designed to meet the needs of all members, whether presently involved in overseas projects, likely to embark on this field of activity in the future, or simply conscious of the benefits of being informed upon aspects of construction and quantity surveying which are of significance to many leading organisations in the United Kingdom construction industry. It aimed to provide an appraisal of the marketing, tendering, financial, contractual, technical and environmental aspects likely to be encouraged by those operating abroad.

Welcome by the Vice-President

The delegates were welcomed by C. F. J. Webb, FIQS, FIARB, FRSH, Vice-President, who introduced the President, M. A. Wilkins, FIQS, AIARB.

Introduction by the President

Today, ladies and gentlemen, we are looking at the construction industry overseas and in particular the role of the quantity surveyor. This is particularly appropriate at this time, since most of us, in one way or another, are currently connected with work abroad. In fact, between fifteen and twenty per cent of our members are actually working overseas.

Currently we have two branches overseas, one in South Africa, which has been going for some six years, and one in Hong Kong, which is just three weeks old. It is not the intention of the Institute to set up branches where there are existing quantity surveying institutes abroad and, therefore, it is most unlikely that we shall ever have many. Of the two that we have, we shall be reconsidering whether we need them, in view of existing circumstances there. In the case of South Africa, if we can get full recognition by the South African Association of Quantity Surveyors, we shall then be closing our branch. The difficulty there is that all quantity surveyors have to be registered, and to be registered they have to undertake three years in a "private office". We have a meeting with the Association shortly, to try to get the "private office" practice requirement changed to an "approved office", and this would then enable all our members in South Africa to become members of the Association.

As far as Hong Kong is concerned, there are problems and I have had a lot of deputations from the RICS members there. The Chinese, being very ambitious, seem to want to get as many qualifications as they can, and sit both the RICS and IQS examinations, which means for the whole of March most of the offices out

there are devoid of staff. This may not be too much of a problem in the UK, where things move comparatively slowly, but in Hong Kong, one month could almost see the construction of a block of flats! What we would like to do is to look into the possibility of setting up an association out there and then close the branch.

The main concern of members overseas is that they would like to examine the candidates in these countries in their own forms of contract, SMM and law subjects. However, as an Institute, we feel that our qualification is a UK qualification and, therefore, first and foremost all candidates sitting our examinations need to have a full knowledge of the forms of contract and SMM in use in the UK. Therefore, if overseas organisations are going to set local examinations then these must be set in addition to our own. We feel that where there are associations abroad, then reciprocal arrangements would apply in the UK.

In the two branches that we have abroad, there is considerable enthusiasm and good attendance at meetings. This is quite surprising when you consider that in South Africa many of them have to travel up to a thousand miles to attend a meeting.

I hope that today we shall hear a lot about what is expected of quantity surveyors working abroad and in this respect, I think that we have got to be a lot more adaptable and "outward-looking". Perhaps in a few years time, we could even hold an international branches conference for quantity surveyors, but in the meantime I would like to hand you over to our first speaker.

THE ROLE OF THE QUANTITY SURVEYOR IN PRIVATE PRACTICE

The Speaker

The speaker on this subject was Peter S. Tether, FRICS, Senior Partner of A. L. Currie and Brown, Chartered Quantity Surveyors. When asked for a brief biography Mr. Tether produced the following: "After a formal education and totally undistinguished war service Mr. Tether joined the Quantity Surveying Department of the former London County Council at County Hall in May 1947. Just three weeks later he resigned to join firstly Davis Belfield and Everest, and secondly Crump and Trinnick before joining the staff of A. L. Currie and Brown in June 1951. He was made a Partner in April 1965. He is now senior partner in A. L. Currie and Brown, Chairman and Managing Director of Currie and Brown International, Member of Council of The Pipeline Industries Guild and a member of the Oil and Gas Group Committee of British Consultants Bureau. In addition to his professional involvements, Mr. Tether is heavily involved in local community affairs and has a passionate interest in

such diverse activities as Backgammon, genealogy and lay lines".



Headings

I thought that it might interest you if I started by reading the headings on which I am going to speak.

I will start with an Introduction. The second is concerned with Conditions of Contract, and I will ally this with Methods of Measurement. I realise that the two are not the same, but what one can say about conditions of contract abroad is much the same as one can say about methods of measurement.

My fourth section is concerned with 'Tax Advantages to the Employee'. I know this is one of the most important reasons for working abroad and I hope to be able to outline briefly what benefits can be obtained by the employee.

I am also going to talk about the Tax Advantages to the Employer who works abroad either as a partnership or as a company. I hope to demonstrate why it is important that if you are going to work abroad as an employer you go as a company and not as a partnership.

The next three headings will be concerned with prospects for both employees and employers. We have a fairly substantial research programme world-wide at the moment, and I hope to be able to tell you something of the results of that research as it stands at the present time. My last heading is Concluding Remarks.

Company organisation

I think I should tell you of our own experiences abroad and the work that we do there.

Before that, may I just go back to the notes on the speakers. Not only do we have the partnership in the UK, of A. L. Currie & Brown, established for some 102 years, but we also have an unlimited private company,

in the UK, of which the partners of A. L. Currie & Brown are shareholders. The Company is Currie & Brown International and it is largely undertaking our work abroad. In addition to that we have a limited company in Holland, Currie & Brown B.V., and we also have in Ireland another unlimited company, Currie & Brown & Coveney Overseas.

I believe that you will find it important if you are going to work abroad, or even if you are working abroad now, to take the right steps and set up the right financial organisation from the very beginning, because once you have set up the wrong one it is very difficult to change.

When I talk about Currie & Brown this morning I am really referring to work done by all four of these companies or firms; the partnership of A. L. Currie & Brown, the unlimited company of Currie & Brown International, the limited company in Holland of Currie & Brown B.V. and the unlimited company in Ireland of Currie & Brown & Coveney Overseas.

Scope of our overseas work

This work that we do overseas is largely associated with the oil and gas industry. This is not from choice, it is because our firm has built up a reputation for our expertise in these industries. A tremendous amount of our work in the Middle East and in the Gulf particularly is associated with the oil and gas industry. We have been working abroad for some twenty years now and have worked in some twenty countries, one for every year I might say, from New Zealand at one side of the globe, to the United States of America and Norway at the other.

When I was first asked to chat about our work abroad, I was conscious that there are in fact 149 countries in the United Nations, and generally these countries are divided again into states as in the case of America, or the federal system as in Australia and Canada. Each of the 149 countries are probably broken down into these entities each of which probably has its own laws and peculiar arrangements. Therefore, when we are talking about work abroad, we are talking about a tremendously wide scope of activity and it is therefore very difficult to talk other than in generalities.

I believe that in every one of these entities of the world's 149 countries, probably amounting to 1,000 entities, there is somebody who looks remarkably like a quantity surveyor. When we say that the quantity surveyor is unknown in the United States or Senegal, there is somebody there doing a job that is basically speaking the job that we do in this country. There is someone working for the construction industry, tendering for the construction industry and settling accounts for the construction industry. World-wide there is someone, somewhere, doing this in each country and I believe that the best people that could be doing it are people such as ourselves - quantity surveyors.

If I may refer to a gentleman of my generation, Professor Joad, who used to be on "Brains Trust", he would start off his answer to every question with the expression "Well, it depends on what you mean". Well, it really depends what we mean by quantity surveying. In this country, the quantity surveyor has a very great tradition both for the preparation of tender documents and the settlement of accounts, but abroad there is tremendous scope, other than in that particular sphere. If you think that the way we are going to break into the

United States is by saying "Look, this is the way we should be compiling bills of quantities and settling accounts for you", I don't think that it is ever going to be possible to break in. Nevertheless, I think that there is a great opportunity in the States for work, at other levels than the settlement of contracts, preparation of bids and that sort of thing.

One of the problems of work abroad is the inevitability of the size of projects. There is no way that quantity surveyors from this country, working abroad, are going to be involved in the old folks homes that we undertake here so successfully. There tend to be much larger contracts and that in itself brings problems.

Just as a matter of interest, I did check up this week to find out how many firms involved in quantity surveying, architecture or consulting engineering have received this year's Queens Awards for Export Achievement. As far as I can ascertain there are two firms of consulting engineers who received it, no firms of architects and no firms of quantity surveyors. Perhaps we should do something about it.

Conditions of Contract

I did mention that there are 149 countries in the United Nations and there are probably twenty or thirty employing authorities in each country. There are probably just as many sets of conditions of contract as that, and wherever you go in the world employing authorities have their own ideas of what contract terms should be like and they always want to use their own sets of conditions.

I know that your next speaker, Mr. Metzner, is going to have something to say on the topic of contracts, but in the meantime the only thing I would say is that the conditions that you are most likely to meet abroad are the FIDIC Conditions, which have a vague resemblance to the ICE Conditions.

I cannot really talk about them in detail, other than to bring to your attention two clauses which I find most fascinating. One is that you have to state the ruling language of the contract and it normally ends up being in English. The other thing is that you have to state what the ruling law is going to be for the interpretation of the contract. In this respect I have never truly believed that it is possible to "opt out" of the laws of the country where the work is being done. We have had many contracts abroad in Italy, Germany and France, where these FIDIC Conditions are used stating quite clearly that the "Ruling-law" shall be English Law. I was always interested to know whether, if the situation ever arose where there was a dispute in law, you could, in fact, "opt out" of the law of the country. Just as an aside to that, had I known the situation when I asked my wife to marry me, I would have suggested to her that the contract be subject to Mohammedan Law!

Methods of Measurement

Much the same can be said of methods of measurement as can be said about the conditions of contract. There are just as many systems of measurement as there are conditions of contract and probably just as many systems as there are countries in the world.

The FIDIC Conditions refer rather vaguely to a method of measurement, but do not specify as for example does the JCT Conditions. I suggest that where you have jobs abroad, research is done in the country where the job is,

to see whether there is a standard method available which should be used.

We in our work abroad never use any method of measurement except our own, which is the one basically incorporated in the contract documents. We have developed various methods of measurement for different types of work over the years, and we believe that they are fair, simple and priceable, and further than that you can't go.

Tax Advantages to the Employee

I want now to talk about tax advantages to the employee, or as I wrote down here "or how to avoid the worst excesses of the taxman". Concerning the tax situation, I think it is important for employees going abroad to remember that they must have their minds sorted out before they go. I can only generalise, as I am not a tax expert, but some of the rules that apply to employees are inevitably filtered through to us as employers. The problem is complicated, but the important thing to remember is that, ultimately, the solution of the tax problem of the employee is between him and the taxman. It is up to him to resolve his problems with the tax collector or income tax inspector and if he doesn't like his decision he can go to the Commissioners or ultimately The House of Lords.

Basically, as I have said it is his problem to sort out the situation with the tax inspector, but nevertheless, as employers, we obviously get very involved with it. I think it is interesting to read what "Which" had to say about this in their issue of "Tax Guide". It says that "tax treatment from earnings abroad can be extraordinarily complicated and if you are planning to work abroad, you should certainly get advice". I don't believe that there is anybody who can give you advice, you can only read the best papers that are available and make your own assessment.

As an employee, it depends whether you can go abroad for a long period or a short one. If you can go abroad for 365 days, it doesn't have to be a tax year as it can be any 365 days, then you can basically get away with not paying any UK tax. There are allowances as you can come home for 62 days in that period, but it must not be more than that. The important thing is to read the rules and then make absolutely sure that you count every day that you are away, because once you have overstepped the mark and been back one day too many, you are in trouble.

One of the problems is the possibility of proving whether you are, or not, in this country, and all sorts of strange things occur, such as an individual spending a fortnight in Spain, in order to avoid coming back to this country. The tax guides including "Which" all say that holidays abroad count, but I think that this is rather misleading. Whilst holidays count towards the stay away, that doesn't of course mean any holidays that you have abroad, it really means that the holidays you have abroad, whilst you are working abroad.

If you work abroad for less than 365 days in any one tax year, one quarter of what you earn abroad will be free of tax, provided you work more than 30 days out of this country, in any single tax year. If you are an employer this has a strong bearing on whether you should remain as a partnership or as a company.

We do our best as a firm to help our staff with the tax,

and as soon as we know someone is going abroad for a long period, we apply for "N. T. Coding", which is a "no tax coding". We write to the tax inspector and certify that the chap is going abroad and is expected to be abroad for, say, twelve months. As soon as the coding comes through, it can be applied to his tax payments and the remarkable effect is that he pays no tax after that. As an employer I think it is important to remember that there is no way that you can avoid deducting tax from the staff salaries, unless the tax authorities have told you not to and the only way they can do this is by giving an N.T. coding. If you pay someone who is abroad, without deducting tax and without having an N.T. coding, there is a great risk if anything went wrong, that the employer himself may be responsible for payment of the tax.

Tax Advantages to the Employer

As you all probably know, if you are self-employed as a partner, or self-employed in any way the tax man and the government dislike you. There is no way that you can really take any advantage of the tax situation, whether working abroad or in this country, if you are a self-employed partner.

Directors are in a different category altogether, as they are employees of their company, and not employers. As such, they can benefit under the rules which apply to employees. As a Director of our international company, if I go abroad for thirty days, any payment that I receive on behalf of my work for those thirty days is subject to a deduction of 25% before tax commences. You can see that this can be a very substantial sum, and it is important that this is recognised before starting work abroad.

As an example if you are a partner and have earned £1,000 from abroad, and you pay tax at the highest rates, you are left with £170. Once you have got an overseas company, and you go abroad as a director and earn £1,000 in the one month that you go out, the first 25% is tax free, so you don't pay tax on £250. You pay tax say at the higher rate on £750, and that leaves instead of £170 in hand, £377; so you can see that you must set up a company to work abroad.

Wherever you are and whoever you are, either an employee or an employer, there is always the problem that you are going to land up with the taxman at the other end. In most of the Gulf States the tax is either nil, or at the most 10%, but we are not necessarily talking about Gulf States, we are talking about the world-wide situation. If you go to a job in the States, Australia or Europe, you may be involved with the taxman there straight away. As an employee particularly, and perhaps also as an employer it is very important to get these matters sorted out before you commit yourself to anything.

We had a very unfortunate experience in Germany some years ago. We had seventeen staff there for about four years, and as a firm weren't really involved with the taxman until our staff became involved with him.

He quite rightly said "Currie & Brown, you are working in Germany and making profits here, so you must pay tax here". So we got the very best tax advisor we could in Germany to reduce the tax burden, and they spent months sorting out our tax problems and eventually sent us a bill from the Bavarian Tax Authority for about £8,000, which we happily paid. They said they had reduced our obligations to the Bavarian Government by £7,000 and gave us

their bill for £5,000! However, in the UK and Germany there is, and was then, a "double taxation agreement", so whatever we paid the Bavarian Government, we didn't pay to the UK Government. The nett result was that whatever we paid to the accountants was a complete burden on the firm. We made nothing from their advice, as all they had done was to reduce the German tax burden, by transferring it to the UK. I am not suggesting that you should not use accountants when working abroad, but it would have been better if we had paid the Bavarian Government the amount they had asked for in the first place.

There is always this problem, as wherever you go in the world you may be subject to the taxation of the country. In Holland all our staff pay Dutch tax and it is very much the same figure they would pay on their salaries here. Social security deductions are substantially higher than they would pay here, but the benefits are very much greater.

If you try to set up a company abroad, or try to set up a partnership abroad, there are problems with the Bank of England acting on behalf of Her Majesty's Government. You have to put up a good reason why you should be forming a company abroad, and they are not very easily persuaded. Regarding a foreign company with shareholders in the UK, the taxman always thinks that there is something strange about it, and you have to give a good reason if you are going to do this at all. Nevertheless where you do have work abroad it is usually possible to put up a good reason why you should open up an organisation in that country, and undoubtedly it generates its own work.

Prospects for Employees

Prospects for single employees are really no problem, because all you have to do is reply to an advertisement, or write to a firm with overseas offices.

Married postings are much more difficult. There was a time when accommodation in the Gulf was reasonably cheap, but not available, whereas now there is plenty of it and it's very expensive! Our real problem, as a firm, is getting people who are prepared to suffer as a bachelor in the remoter parts of the world, such as the "backwoods" of Iran or the deserts of the middle east. We have a job now in the Sudan, east of Khartoum and the temperature last week was 123°F! The tasks can be arduous in these places, but the rewards are very substantial. There is no reason why our staff in such places shouldn't come back in a couple of years with enough money to buy themselves a house better than mine!

Prospects for Employers

The prospects for employers are rather different of course and as I said to start with, we are doing a fair amount of research at the moment. We have two partners who are going to the United States for the second time this year, on a two to three week mission and we have a partner who is going to Egypt and the Lebanon in about a month's time. I myself, am going off to Australia on Thursday and have meetings in Perth with people who are involved in the "off-shore" oil industry in Western Australia.

Travelling costs an enormous amount of money, and the trip to Australia is probably going to end up costing us £2,000 to £3,000, with maybe no work at the end of it.

The two partners going to the States are costing £1,500 to £2,000, and the young man who is going to Egypt although going on a British Overseas Trade Board sponsored mission, is still costing about £600 to £700. As you will realize, it is these sorts of costs that possibly only the larger firms can withstand.

How then do small firms generate business in the world, when it costs £700 to £800 to get to Singapore and back? It is very difficult. This year we are probably spending something like £10,000 just researching the places and looking for work. One day hopefully the Telex machine will "crackle away", and we will be invited out to discuss something further. We answer every advertisement in the *Financial Times*, and have a young man who spends his time reading all the adverts. It is surprising how many there are, asking for expertise in the building and the petro-chemical industries. We answer them all, sometimes we succeed and sometimes we don't. I think that the larger firms are better off in this respect, because they can put forward a better "front". However, smaller firms could be encouraged to put together a "loose package" and propose themselves in that way.

We replied to an advertisement just before Christmas, in which an American firm of consultants were saying they had two and a half billion dollars to invest and were looking for people to advise them how best to invest it. I met the principal, who was inevitably an Arab, in one of the capitals of Europe and I hope that this will produce something.

We follow up every lead, however remote it might be and we spend a lot of time, work and research on it; you have just got to do that otherwise you will be left behind.

If you asked me where I would be looking now, I have made a note of five countries.

Firstly the Gulf; now I know the Gulf is often referred to as being "over-sold", but there is still an enormous amount of work being done in this area, both in the general building and petro-chemical fields and I'm sure there are still tremendous opportunities for people to work there.

Next Egypt, that seems rather strange, but it is possibly because I spent a fortnight there last year on holiday, at the same time knocking on a few doors. I believe that Egypt is one of the places that a building boom will really "go" when it does. There is a tremendous amount of work needs doing there and they have three substantial assets. One is almost perpetual sunshine, two is a very willing and hardworking labour force, and three, of course, is some of the greatest tourist attractions of the world. I think it could well be the Spain of the future and it would be interesting to get in there on the ground floor.

Thirdly, the USA. I know you will say that quantity surveyors are not known in the USA, but nevertheless there is a great deal of work to be done by people there who have the disciplines of the quantity surveyor. However, don't ever, if you go to the USA, refer to yourself as a quantity surveyor. Quantity surveyors are known despite what everybody says, and if you open any yellow page directory there are always entries under the words "quantity surveyors"! However, they are a fairly lowly breed, being basically people who measure the amount of flooring required to cover a room etc., and are very much looked down upon. You can use all sorts of other expressions but don't use "building economist" or "consultant", because these are also looked down upon,

so think up some other highpowered name, such as "Construction Managers".

Finally, Japan and Korea. The Japanese and Koreans are getting very big in the world on the construction side, but they are up against the problem of language of course and they do need our experience to work for them. We have some very interesting contacts with Japanese companies which we are hoping to develop over the next few months. I have come to the conclusion, if they can't beat us they will join us!

Sources of help

Lastly, on the matter of prospects, there are other people such as the Overseas Trade Board, expert groups, sponsored missions and this sort of thing, but they all cost money of course. There are various export groups, but they all depend on the abilities of the individuals; they don't hand out work, but they do encourage you in the world.

I think that the "British Consuls Commercial" are very neglected and we have found endless help world-wide from these good people. Wherever any of our people go, the first thing they do is to knock on the British Consul Commercial's door and say "I'm here, can I have a chat?", and it is astonishing how much can come out of that. They have recently changed their "image", as they tended to be rather superior years gone by, but now you will find them tremendously helpful.

We have had a lot of help from our Bank, the National Westminster, and wherever we go in the world we always go and see the local manager, as he can help tremendously with introductions.

Conclusion

In conclusion, smaller firms may need to get together, if necessary, in a loose association, even in some sort of amalgamation. We have done this in Ireland and have been working there for about two years. The association works very well and it gives us the added advantage of their expertise added to ours.

Note: Mr. Tether wishes to emphasise that The Finance Act of 1978 may have changed certain of the conclusions reached in the paper.

CONTRACTING OVERSEAS

The Speaker

The speaker on this subject was John E. Metzner, FIQS, MIOB, Director, Costain International Ltd. After a two year full time course at Derby Technical College, Mr. Metzner joined Gee, Walker and Slater in 1946. He continued his studies gaining corporate membership of the Institute of Quantity Surveyors and the Institute of Building this being interrupted by National Service in the R.E. Works Services between 1949-51. Mr. Metzner joined Costain Civil Engineering Ltd., in 1962, became involved in overseas contracts in Tanzania and the Arabian Gulf from 1966 onwards and was resident on the Brunei International Airport contract between 1969-72. He was then appointed Divisional Quantity Surveyor of the overseas division of Costain Civil Engineering until the reconstruction of the company in 1976 when he became Chief Quantity Surveyor of Costain International Ltd. He became a Director of the company in November, 1977.



Introduction

Today I propose to deal with this subject from the Contractor's Quantity Surveyor's point of view. It is important to emphasise the difference in roles between the Contractor's Quantity Surveyor and that of the Consultant. Unlike the Consultant Quantity Surveyor who administers one Main Contract, the Contractor's Quantity Surveyor has the Main Contract on one side, and many sub-contracts, subsidiary contracts for shipping, haulage, catering and lateral contracts such as joint ventures on the other.

The role of the Contractor's Quantity Surveyor

In my day-to-day work I find I have to define the role of the Quantity Surveyor in a contracting organisation overseas, because someone being sent four thousand miles away has to know exactly what his job is.

Taking what is really my own responsibility, which is delegated all over the world, we have first to ensure that the Main Contract conforms with our company policy. The second task is to make sure that the sub-contracts tie in with the Main Contract, again conforming with company policy. Thirdly, we have to secure the income of the company, through the agreement of measurement, interim payments, final accounts and claims. Finally, our responsibility is to protect the contractual position of the company and if possible avoid claims situations, because overseas you can never tell how long it is going to take to sort claims out, or anticipate the eventual outcome.

These general tasks are going to be performed either in the UK or overseas, and this means that the knowledge required of the overseas Quantity Surveyor is different from that of a UK Quantity Surveyor. He requires know-

ledge of the logistics and the different laws. He can't, for example, always deal with a contract in English law and may have a Main Contract in English law and subsidiary contracts in other laws. He may well also have to take an interest in our own site manufacturing operations, as we are often required to provide aggregate etc.

Once a contract is awarded to us, we aim to have a Quantity Surveyor on site who is senior enough to cope with the responsibility of that particular job, as we would not wish to manage it from say four thousand miles away. One obviously has to keep an eye on what happens, but the man on site needs to be competent. However, new staff on international work cannot be expected to jump into the most complex situations. Of course all our tasks are carried out in close association with operational managers, accountants, lawyers, tax and insurance advisors.

Our first task on any particular project is usually concerned with the tender and I propose to look at this aspect under three main headings. First is planning, visiting the site and analysing how the project is going to be executed. Second is the pricing, and third is dealing with contract conditions. The Quantity Surveyor's role is to check the commercial aspects of the documents.

Legal Aspects

The most common form of conditions used on overseas contracts are the FIDIC Conditions, which have developed from the fourth edition of the ICE Conditions. These are quite good for international contracts, since they deal with most situations without infringing local laws.

However, I have never seen two sets of contract conditions the same. Payment clauses are not included in the standard FIDIC form, but the document gives some advice on dealing with these and other clauses, which means that clients and their advisors become accustomed to drafting special clauses. So you can never take a job and say "it's under the FIDIC Conditions and that's the end of it", because it is necessary to go into more detail.

Other contracts follow Continental, American or Latin American practice and occasionally we do get some building contracts based on the old RIBA form that has been adapted for local use.

In our company, contract conditions have to be read by a Senior Quantity Surveyor and others including lawyers, bankers, taxation and insurance advisors, because we need to identify the commercial risks.

It is common for conditions to be heavily amended and in some cases these amendments are made "inexpertly", imposing a risk where none was intended. There are many cases of amendments running contrary to the Contractor's interests and we have seen examples such as a clause which states that "any errors in the contract documents shall be interpreted against the Contractor", or "the Employer may maintain control over his Engineer when agreeing rates". There may also be clauses enabling the Employer to take a hand in the awarding of extensions of time, or completion certificates.

Sometimes no law of the contract is stated, or the law may be vague. Liquidated damages may be at a penal level. It is important to remember that penalty clauses are legal in most overseas countries.

One could talk indefinitely about performance bonds

of various kinds. These may be callable on demand and this is like handing your client a cheque for perhaps ten per cent of the Contract Sum, which he may cash at any time.

Sometimes there is no special risks or war clause. Without being in any physical danger, we have been involved in expense after three Middle East wars in the past ten years, and generally this has been recovered under the contract clauses. Certainly a Contractor would be in difficulties if he had a number of contracts with no war clause and war did break out; so I would never recommend that we accept a Contract that did not contain a war clause.

You may have a situation where there is no law stated, though the Contract is for a foreign client, in a third country, with sub-contractors and suppliers originating from other countries. It is, therefore, essential that you know what the law of your Contract is, because if there are any problems you can't get legal advice about the legal meaning of the Contract.

One of the advantages of overseas contracts is that it is usual for there to be an advance payment in the order of ten to twenty per cent of the total contract value, therefore the financial "lock-up" on overseas contracts is much more favourable than UK contracts tend to be. There are other advances to cover for mobilisation, temporary works, temporary accommodation and plant. Of course, one must bear in mind payments for plant and equipment. If you are purchasing some items from the UK and have to pay for them here, there may be two or three months involved in shipping, producing a "cash-flow" problem. To some extent this is compensated by the advance payments.

It is very common for overseas contracts to have a requirement for a tender bond to be callable on demand. There is commonly a performance bond and normally the advance payment is to be bonded. Finally, instead of having up to ten per cent retention deducted from interim payments, we offer a retention bond.

The nature and wording of these bonds varies considerably, and is often unacceptable. This means that you require expert advice and need to consult your bankers.

So having made a "bid" for a project, there comes a period of long negotiation and some compromise. If in the end the Contract is not entirely as we would have wished the result must be commercially viable and the Contract must not be a vehicle for disaster, as this would put our other Contractors at risk, as well as the specific one in question.

I would never be "put off" by the argument that someone else (another Contractor) would accept certain conditions. My experience is that our UK and European partners, when in a joint venture with us, are just as careful as we are.

Other Considerations

I think that it is important to remember the extent of your particular expertise. You cannot control the economy of an overseas country, or even that of the UK of course, and a major project in a small country will sometimes trigger-off very heavy inflation.

Similarly, you cannot control fluctuations in exchange rates. Even the banks are not very good at forecasting them. Therefore we do not expect to take that sort of risk.

As in the UK, the nature of ground conditions overseas may be highly variable, and on an overseas contract it takes a long time to correct the situation if you arrive with unsuitable plant.

Environmental Conditions

The next point that I would like to discuss is that of environmental conditions.

In this respect there is an enormous difference between conditions on different contracts. You can compare the example of the Arabian Gulf, where the minimum temperature in winter is perhaps 40°F and the maximum in summer 130°F, with that of Iran, only a few hundred miles away, where you have the high temperatures just mentioned in summer, with snow and temperatures below 0°F in winter.

These conditions are of course very different from the jungle conditions of the equatorial belt and there one may have a temperature variation all the year round of only 20°F, where every day the minimum is 70°F and the maximum 90°F. In this situation one tends to lose touch with the seasons in the UK.

Of course there is a large difference between a humid and dry climate and whereas one could live happily in 100°F in a dry climate, in a humid one this temperature can be almost unbearable.

We have had projects in Hong Kong at one extreme, and the African bush at the other, and this involves a tremendous difference in the personal lives of people working in such extremes.

Language and Religion

Another major difficulty is language. One could have as a local language any of the European languages. For instance, in parts of Africa, the "commercial language" may be French, and in Asian countries it may be Hindi, Arabic or Malay. It is true to say that English is clearly the best language to have, but in some countries, especially Latin America, a foreign language is essential.

Religion is another major difference from one country to another, and this affects the "rest days", as in Islamic countries the rest day is Friday, and in these countries also there is the "fasting season" known as Ramadhan. One's labour output in these situations may vary also. The Chinese observe their particular New Year, when everything closes down for a few days, and the Hindus again have different holidays. In the East one may employ people of many different religions and you have to choose which holidays to observe.

Health and Recreation

Another major source of concern is health. In some parts of the world, for instance around the Gulf, there are very good hospitals; in others, anyone seriously ill may have to be evacuated. Most Contractors provide a nurse or a doctor on the staff in such locations.

As far as recreation is concerned, some tropical locations offer idyllic environments for swimming, sailing, barbecues, or just sunbathing, and of course at the other extreme there may be ski-ing facilities.

In the areas where Islam is the local religion, I would say that our staff have almost no contact with local females at all, but Hong Kong and other places are different!

Most European companies will provide facilities in a remote situation and at least there would be some kind of club-house where staff may spend their off-duty hours.

Another point to consider when working abroad is that the opportunities for travel are unrivalled. As an example, I have been to Japan, Hong Kong, Thailand, Bali, Indonesia, East Africa and various parts of Iran, all on holiday.

Taxation and facilities for education

I do not consider that our employees have the same problem with tax as those employed in private offices, as described earlier today, because we have to be able to make salaries comparable between those countries where there is no income tax and those where there is. So when we move staff from one part of the world to another we make an adjustment to compensate for the differences in taxation. Perhaps the main problem concerning local tax is to clear one's liabilities locally before leaving the overseas country. In these cases we try to help as much as possible.

For employees' children living overseas we usually provide a reasonable education up to the age of eleven, but beyond that age children usually have to be sent to boarding schools. Higher education is available in some main centres such as parts of the United Arab Emirates and Hong Kong, but generally facilities for higher education in English are not available in the tropics.

Local commercial considerations

We try to share some of the work out to local sub-contractors and suppliers. Sometimes we enter into joint ventures with local partners, or form a company with a local shareholding. However, we have to be careful not to guarantee more than our share of the work.

In a new country one of the immediate problems is to deal very quickly with administration problems and this means investigating work permits, visas, customs controls and shipping facilities.

Having arrived on site, there may be some technical differences, but generally speaking construction is not all that different to the work in major industrialised countries. Perhaps the main difference occurs when one is calling for materials, when a much greater "lead-time" is involved. For some projects, we have had to open up a quarry locally.

The extremes of temperature require special designs. Air-conditioning of course is much more commonly adopted elsewhere than in the UK, and a special design may be required to deal with termites. There are all sorts of other local design problems to be considered. Such problems only affect us, of course, where we have a responsibility for design.

Another matter that we have to bear in mind is that we do not have a traditional knowledge of local materials. For example, how will particular types of stone react in the long term? It is true to say that many countries do not have concrete aggregates of the quality that is available in the UK, and this is frequently a problem.

One does not have knowledge of the long-term effects of extreme climatic conditions, and we lack experience of climatic events which may occur only once in a hundred years. For instance, building a dam or some other

project which is dependent upon local climatic conditions calls for special consideration.

When difficulties are encountered these often have to be analysed from first principles and one has to have quick access to experts, so we often send specialists overseas to deal with particular problems.

I think that some of the architecture overseas is more imaginative than in the UK, and certainly there is more decoration on prestige buildings. However, this has proved not too much of a problem, since we have managed to find the local skills required.

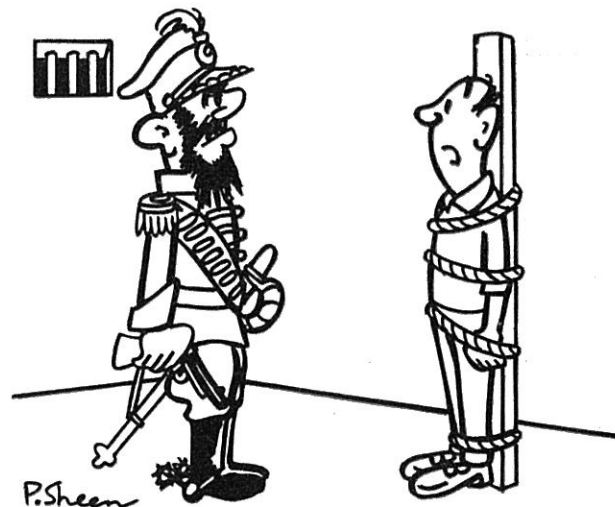
One has to think in terms of what advantages we, as UK contractors, have over other contractors, in particular the local ones available. Sometimes, of course, we are present because there are no available local contractors of any size with the necessary experience and capabilities. Sometimes we can build much faster. We can offer credit, backed by the Export Credit Guarantee Department, or clients may have confidence in us as a result of previous contracts and our stability. Joint venture partners also look for stability and we spend a lot of time on the Continent with these associates, putting together our joint bids.

Our involvement in these situations provides a means of exporting UK management and technical skills. We do have a knowledge of particular types of projects and contractors with experience of particular projects, say dock or airport work, naturally acquire a reputation for this.

Labour

When we come to dealing with labour, we firstly look for local labour, since local regulations often require this.

Local craftsmen are often of a very high standard, but perhaps insufficient in number, which means importing labour. This can be a problem, particularly now that



"I had no idea your country would invoke such a penalty clause"

barriers are going up to restrict the importation of labour from the Indian sub-continent.

We may have to provide housing for our labour and one has to be careful to separate the various races and religions, in order to prevent problems. Medical and recreational facilities are also required of course.

We find now and again some very good local quantity surveying staff and we have fewer trainees working overseas than in an equivalent UK situation. We have some trainees abroad, but most of the assistant's tasks are performed by local staff. There are a few non UK quantity surveyors in overseas senior posts doing good work for us.

Materials and Plant

Here again distance is a problem and late design changes often involve the Quantity Surveyors to deal with claims.

Developing countries tend to produce their own cement nowadays and very often there are local timbers and other products. Local suppliers, although expensive, do maintain good stocks, and we must consider this when giving local suppliers a "piece of the action" on any Contract.

There are nearly always local agents of the international plant suppliers, who are very good. Plant hire is not very well developed overseas. As civil engineering contracts may involve a very heavy initial plant expenditure, one should ensure that some kind of advance payment is made to allow for this situation.

Mobilisation often takes from four to six months and normally the site quantity surveyor arrives on site towards the end of that period. Special plant may take up to eighteen months to manufacture. For instance, a tunneling shield would take about that time, as would some of the largest excavating plant for an open-cast coalmining situation.

Problems may arise for example when a tender is based on cement coming from a certain country, where it is not available in the country where one is working. One may well be in a situation where there is an embargo on cement being exported from the particular country, and it is necessary to look for cement elsewhere. Therefore one needs contract conditions giving protection in such a situation.

Specific quantity surveying duties

Taking the routine quantity surveying work, the interim applications and certificates are not very different from those seen in the UK. Obviously, the certificate application deals with the advanced payments and if a bond has been given on an advance payment, then one should ensure that the payment certificate shows that part of an advance has been paid back, in order that the bond liability may be reduced.

When coming to final accounts a good quantity surveyor has no problem on a Contract that has proceeded more or less as anticipated. The main difference is that the final account must be completed whilst both our Quantity Surveyor and the Client's Representative are

still on site. When a project has been completed physically, both sides tend to want to get away to the next job and that also applies to sub-contractors, so I would always advocate the settling of disputes on the job whenever possible.

We have to recognise that the FIDIC Contract has some fifteen clauses dealing with extra payments, not counting those dealing with adjustments for nominated sub-contractors and this means that there is a danger of claims remaining unresolved or even unquantified. Therefore it is necessary to ensure that all facts are recorded and agreed. Staff other than quantity surveyors must keep records of their involvement in these issues, since in the event of any dispute being referred to arbitration, any member of staff could be called as a witness. Whilst having no wish to go to arbitration, the fact that one is in a position to be able to do so naturally improves one's negotiating position.

Conclusion

I certainly consider that the quantity surveying role overseas is very rewarding in every sense, both as a life and financially, although I do not really think that any of our quantity surveyors have brought home, after their local costs, the sort of sums that Mr. Tether mentioned. Quite frankly, I do not think that our staff that worked in Hong Kong, for example, saved very much more than in the UK. Nevertheless, they had a good time!

Depending on the position of individual quantity surveyors, I would say that savings are not greater than five to ten thousand pounds per annum. Most of our staff work overseas because it is their "life-style". They are expecting to live at a reasonable standard, but are not working overseas solely with the idea of accumulating a lot of capital in order to return to the UK, although obviously most of them ultimately return here.

Recruitment, transfers and promotions involve placing staff with regard to their own experience. We often have to put staff into overseas situations with which they are not entirely familiar. When enlarging experience it is advisable not to take too many steps at once.

We adopt a system of monthly reporting, in which the on-site Quantity Surveyor is requested to identify problems and state how he proposes dealing with them. The very exercise of doing this is often enough to make staff resolve problems from first principles.

I would say that one could confidently transfer a good UK Quantity Surveyor on to a similar type of job overseas, but would hope that going abroad would be the only new step that he was taking, not making a transfer from building to civil engineering work at the same time. There may be a considerable difference from one country to another, and it may be as big a step from say the Arabian Gulf to Nigeria, as one would take in transferring from the UK to the Gulf.

I mentioned earlier that some tasks are performed in the UK and obviously one would hope that London staff had overseas experience. The significant problem is that once we have staff overseas, it is difficult to attract them back to work under UK salary conditions!