

Regnier Traveling Fellowship Proposal Revised
“Challenges in the European Market for American Contractors”

by Mary Evans

Construction Science and Management
Kansas State University

March 30, 2007

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PROPOSAL

Introduction

Many American construction firms are expanding their presence beyond the continental United States. Overseas markets are unique in many aspects, including: culture, delivery methods, construction techniques, infrastructure, safety standards, geological considerations, and availability of manpower, to name only a few. What does it take for an American company to be successful in these diverse markets? This proposal will describe how I intend to research the complicated issues impacting American construction in several European countries including Germany, Russia, the Czech Republic, England, and Italy. These countries have very diverse goals, cultures, and geological features that American companies must address in order to evaluate if a project is a potentially viable venture.

Purpose of Research

I have chosen to visit with American and European international contractors to study how American companies are adapting in Europe and to learn what opportunities lie waiting for international firms. While observing selected job sites, I plan to investigate the following specific areas:

- First, I want to document certain statistics, both current and projected, for the construction industry in each selected country as a whole. It will be important to examine the economic status of the country, construction sectors that are growing, and those that are in less demand.
- Next, it will be important to look at construction project procurement methods for both private and public works projects, because requirements are typically very different. Procurement issues of special interest to me are: project delivery methods, owner and contractor relationships, and legal and financial considerations. I intend to explore the risks involved with each one of these factors and how those risks can be mitigated.
- Another important consideration is that the regulations imposed on a contractor may differ considerably from country to country. In the United States, we have regulatory agencies such as OSHA, the EPA, and NLRB. I am curious to see how other countries address safety, environmental protection, and labor issues.

Finally, I will summarize my conclusions about considerations and opportunities for American construction in the foreign market. Attached are sample copies of my project evaluation and interview forms. These will be the primary outlines for documentation of my research. Once I have compiled all my findings, I will compose a final document to be used as a resource for other students of construction management to perhaps inspire them to investigate issues of their own. I will offer to give a presentation at Kansas State University about my summer abroad learning experience.

Germany

Germany presents some interesting considerations. First of all, population growth is reported to be negative, which must have a large impact on the residential construction market and the building of structures like schools and other infrastructure. In addition, the population density is high enough that most people live in apartments and home ownership is rare. Cities are compacted tightly together, thus new construction impacts the foundations of the surrounding structures. The unemployment rate is a bit higher than in the US, hovering at about 7% as of 2006. The most discouraging statistic is that German construction overall has been declining for the past several years.

(http://www.destatis.de/themen/e/thm_bauen.htm)

The American Embassy, Berlin – Hensel Phelps Construction

My study will begin in Germany for approximately two and a half weeks. Hensel Phelps Construction Company, an international company headquartered in Greeley, Colorado, is building the new U.S. Embassy in Berlin. While I interned with Hensel Phelps last summer, I became aware of their corporate culture and construction policies through onsite training and various company functions I attended. At the embassy project I will observe strategic and procedural differences overseas and, essentially, set a control for the rest of my research.

The embassy project is unique in many areas. Most notable is that a person must be a United States citizen and have a security clearance to even step foot on this job site. I am currently in the process of getting the required authorizations. Although this clearance is a personal requirement, it will aid in my investigation of the procurement and staffing obstacles. In addition, federal work has many unique requirements from safety issues to the way RFI's are submitted and reviewed. Also, it will be interesting to see the way a top security facility is constructed. Both the constraints and the opportunities will make this project a highly valuable basis for my study, and because of my connection with Hensel Phelps, I may be able to view this job as more of an employee than a visitor.

Contacts:

Robert Piper, Chief Estimator of the International District

Email: rpiper@henselphelps.com

Phone: (405) 610-1987

Gary Johnson, Project Manager, U.S. Embassy, Berlin

Email: gjohnson@henselphelps.com

Italy

Italy has sparked my interest in a variety of ways, including some unique political considerations. Leadership changes sporadically through votes of confidence. This has proven challenging for companies like Parsons Transportation Group of Pasadena, California. Parsons was awarded a project management contract for the Messina Straits Bridge. Prime Minister Prodi, elected last April, obtained a vote on October 12 to cancel the project. But Prodi was nearly ousted in February. During four decades of debating a bridge to Sicily, there have been twenty-three changes of leadership in Italy.

Another interesting aspect of the Italian construction market is the influence of unions. During my junior year I completed two credit hours of honors research regarding the general contractor's need-to-know about American labor unions, and I would like to compare and contrast the labor markets. A report about the Italian construction market can be viewed at: (http://www.itcon.org/data/works/att/2006_8.content.08492.pdf).

And finally, my cousin and her husband live in Sicily. Her husband is a United States naval officer in Catania. From working for a company like Hensel Phelps, I know that American government jobs are a significant source of international work. Many companies use federal jobs to test the international market before they decide whether to enter it more ambitiously. Currently, there is construction on base and at the airport. My cousin is in the process of seeking out contacts with the general contractors of the projects, but has found it to be difficult because contractors are not allowed to publicize their presence and her work schedule is not conducive with their hours of operation.

Currently, I have been unable to confirm appointments with companies in Italy. However, numerous prospects ensure that I will have job sites to visit with quality companies. I have been in contact with Parsons. Liability issues and legal constraints are delaying the process considerably. My contact at Parsons has been out of town frequently in the past month, but she assures me that she will come to a decision soon about the extent to which Parsons can assist in my research. In addition, Tom McDuffy with Jacob's Construction will be contacting me next week to discuss their work in Italy. I have also emailed the Italian branch of Hochtief which have unfortunately not yet been answered. And finally, my cousin assures me that she will continue to help by communicating my situation to companies and supplying me with contacts. I feel confident that I will be able to find the two jobs I have slated for my itinerary.

Contacts:

Tracy Trenham, Parsons Construction
Phone: 626-440-2000
Email: tracy.trenham@parsons.com

Warren Dean, Jacobs Construction
Phone: 314-335-4900

United Kingdom

It is reasonable to believe that the United Kingdom would be the easiest location for an American contractor to enter into the overseas construction market due to more shared history and similarities in culture. The lack of a language barrier (local vernacular excepted) would assist in all phases of construction, from procurement to working with subcontractors and owners during construction, and even with maintenance and warranty issues after project delivery is complete. For these reasons, the construction culture in the United Kingdom will be important to observe.

Professor Fritchen has advised me to visit with the Chartered Institute of Builders in the UK during my trip. Due to the close association of ACCE and CIOB, this would be a great asset to help me answer many of the regulatory issues that may arise in the United Kingdom before visiting my job sites and give insight into issues I have encountered throughout my previous travels.

Black and Veatch has multiple major international headquarters in the region, especially in London. While job searching I developed contacts with Black and Veatch and they have agreed to help me in my European endeavor. I plan on visiting their office in London and completing some more general research about the astounding success Black and Veatch has attained in the United Kingdom before visiting the job site below. Because of some schedule conflicts and rearrangements, I was informed the morning of March 27th that one project I was planning to visit through a personal contact of Mr. Andry's will be demobilizing a month before I am planning to visit the UK. For this reason, I have not yet determined the second jobsite I will be visiting, but I have been assured Black and Veatch's extensive presence in the UK will provide another project to replace it.

Combined Cycle Power Plant, Immingham, England – Black and Veatch

This project is to be mobilized in April of 2007 and completed in March of 2008. It will provide me with the opportunity to observe the beginning phases of construction and owner and subcontractor relationships. At the time I will be visiting the site, the bulk of the construction will focus on the foundations and earthmoving. OSHA has identified excavation related activities as a serious cause of injuries and death (<http://www.osha.gov/SLTC/trenchingexcavation/index.html>). It will be interesting to see how safety standards vary. Ted Andry will be running this job from the home office in Kansas City at this time and Koy Morford, a Kansas State University Construction Science and Management Graduate will be on-site to assist me in my research.

Contacts:

Ted Andry,

Email: AndryTR@bv.com

Phone: 913-458-2459

Russia

Construction in Russia is interesting to study for many reasons. First of all, the country is a recovering economically and desperately trying to grow and rebuild after years of depression. In the next five years construction in Russia is expected to double, with an emphasis in commercial construction. This may open the door for American companies to participate in development efforts and to add American expertise in construction of buildings uncommon to Russia, such as sky scrapers. However, the Russian culture may be less receptive to American constructors. Unlike in many European countries, fewer Russians speak English and cultural exchange through tourism is not nearly as common.

During my research, I have discovered that Russia is not quite as safe as I had hoped. Due to the fact that I am traveling alone, without knowledge of the culture or language skills, I have decided to cut my time short and visit only one major project in the capital. I still feel that the potential Russia holds is far too vast to pass up completely.

Moscow City, Moscow, Russia – Turner Construction

Currently, in the heart of Russia, a 12 billion dollar construction project is flourishing. Major construction was started in 1999 and will be totally completed sometime around 2010. There are 19 different “plots” each with at least one substantial structure to be built as well as new transportation infrastructure. Building uses range from offices, to amusement parks and from residential to power generation and government buildings. This is a truly unique and challenging project that presents immense potential for a company willing to undertake challenges a country like Russia presents.

Turner Construction Company is currently working on plot 13, the Federation Complex. Turner is performing a construction management role, instead of the whole delivery like Hensel Phelps in Berlin. When finished, the 432 meter high Federation Building will be taller than any of the buildings in Europe. *The Moscow News* reports that 35 of the 94 floors have been built as of March 27 (<http://english.mn.ru/english/issue.php?2006-17-13>). This project will provide another view point of international work from a larger company that competes in the international market more often. I will be able to compare and contrast the building styles and markets. (<http://www.turnerconstruction.com/international/content.asp?d=3963&p=3960>)

Contacts:

Tom McCool

Phone: 224-2-441-980

Email: tmccool@tcco.com

Art Latt, International Operations Tuner International LLC

Phone: 221-229-6156

Email: alatt@tcco.com

Michele Garvey

Email: mgarvey@tcco.com

Czech Republic

I would like to study construction in eastern European countries due to the growth potential. In addition, I have a desire to look into research topics that may help people in less fortunate situations. In the Czech Republic, as well as in Russia, I will have the opportunity to look more in depth into issues such as sustainable building techniques, treatment of workers, and safety standards.

I have chosen the Czech Republic specifically because I have a close friend, Petr Vogel, who lives in Prague. He spent a year at Kansas State University as an Architectural Engineering student, and has offered me his assistance. He will prove to be a valuable asset in many ways because he can offer me essential insight into local culture and public opinion, as well as detailed technical knowledge about projects due to his area of study in school. I have scheduled my visit to Prague during his university's summer break. During this time, he will be able to escort me around his country and put me in contact with some of his professors, who work in industry with Skanska, a huge international construction firm, and are more than happy to answer my questions.

Skanska is consistently ranked among the top 10 largest contractors internationally according to ENR and has offices all over the world, including the United States. Skanska's wide varieties of construction projects include civil, industrial, residential, and engineering construction services. With Petr's and the University's connection to this company I believe Prague to be an extremely valuable resource. I will limit my exposure to two jobs, each for two weeks. Mr. Vrzalik, my contact at Skanska, is in the process of selecting which jobs would be most beneficial to my research.

Contacts:

Petr Vogel

Email: petr.vogel@gmail.com

Leos Vrzalik

Email: Leos.Vrzalik@Skanska.cz

Czech Technical University, Prague, Architectural/Civil Engineering Faculty

http://www.cvut.cz/Home_en/faculties

Conclusion

Following the above research experiences, I will compare my interview sheets, review the journals of my observations, summarize my findings, and define the impacts of various parameters in each of the unique environments encountered. My final report will then be submitted to all the companies whose jobs I visited for final approval. This stipulation was required by all of the owners of the projects for various reasons.

EXPENSES

Traveling

Air Fare:		
Round Trip, Kansas City, MO to London, England	\$	900
One Way		
London to Berlin, May 17	\$	80
Rome to London, June 27	\$	95
Multi-city		
London to Moscow, June 28	\$	1000
Moscow to Prague, July 12	-----	
Prague to London, August 9	-----	
Train Tickets:		
Eurail Global Pass Youth – 2 months May 17 to June 28	\$	945
Eurail Regional Pass Youth Czech Republic & Austria 10 days in 2 months	\$	285
Economy Car rental in UK (\$1800/month + \$5.60/gallon gas)	\$	2100
Bus/Taxi/Subway Pass/miscellaneous travel: \$500/month x 4 months	\$	2000

Room and Board

Hostels and Lodging:		
18 days in Berlin	\$	1440
26 days in Italy	\$	1040
13 days in Moscow	\$	1430
28 days in Prague	\$	1008
27 days in UK	\$	1470
Food & bottled water: \$21/day x 112 days	\$	2352

Miscellaneous

Incidentals	\$	1000
Insurance	\$	550
Medical Expenses	\$	1000
Communication	\$	200
TOTAL	\$	18,895

PROJECT EXAMINATION FORM FOR _____

Describe the current construction industry market in this country/city. Is there growth or recession? Where are these construction projects occurring? What are industry projections?

How was work acquired? (Public vs. Private-procedure, contractual relationships, delivery methods, legal issues, financial arrangements, methods of risk management)

What are the regulatory constraints? (Safety, environmental, labor, architectural/engineering, unions) What is the enforcement posture of the regulators? What is the enforcement/compliance hierarchy?

What is my overall perception of this project? What aspects are unique to projects in this country? What was learned or unexpected?

INDIVIDUAL INTERVIEW QUESTIONS

Name: _____

Position in Company: _____

Project/Country: _____

Please describe the biggest challenges for your project team.

**How do you feel your company is received by the industry?
(Subcontractors, suppliers, architects, contractors)**

Are there any unique regulations or constraints you must follow?

Please illustrate other lessons learned ... factors which should be considered when planning to enter this market.

May

2007

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13 14 15 16 17 18 19

Fly to
London

Fly to
Berlin

20 21 22 23 24 25 26

Hensel Phelps- Berlin, Germany

27 28 29 30 31

Hensel Phelps- Berlin, Germany

June

2007

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Italy

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Italy

17 18 19 20 21 22 23

Italy

24 25 26 27 28 29 30

Italy

Fly to
London

Fly to
Moscow

July

2007

Sun Mon Tue Wed Thu Fri Sat

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Turner – Moscow Russia

8 9 10 11 12 13 14

Turner – Moscow Russia

Fly to
Prague

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Skanska – Prague, Czech Republic

22 23 24 25 26 27 28

Skanska – Prague, Czech Republic

29 30 31

Skanska – Prague, Czech Republic

August

2007

Sun Mon Tue Wed Thu Fri Sat

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Skanska – Prague, Czech Republic

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Skanska – Prague, Czech Republic

Fly to
London

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Black and Veatch & CIOB – United Kingdom

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Black and Veatch – United Kingdom

Black and Veatch – Immingham, England

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Black and Veatch – Immingham, England

September

2007

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