



RESEARCH & DISCOVERY PROJECT

RESEARCH AND REVIEW OF INDUSTRY BEST PRACTICE –
SELECTION, VERIFICATION, ENGAGEMENT, MONITORING
AND MANAGEMENT OF SPECIALIST SUBCONTRACTORS



FINAL REPORT
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EXECUTIVE SUMMARY

John Holland Pty Ltd and Thiess Pty Ltd engaged Ibis Business Solutions (Ibis) in partnership with People Knowledge Consulting (People Knowledge) as experts to research and review industry leading practice for management of specialist subcontractors.

The definition of specialist subcontractor adopted in this research is:

Contractors with specialist knowledge not possessed by the contracting party, undertaking:

- *Work that potentially involves significant Occupational Health and Safety (OHS) risk to the contractors or other parties.*
- *Work that is technically specialised.*

This research involved searching peer reviewed journal databases and industry publications, along with general publications and materials provided by regulators and industry associations available on the internet. This documentation was reviewed to identify leading practice with regard to specialist contractor management.

More than 70 companies across various sectors in Australia and overseas were invited to provide specialist contractor management systems documentation. Industry sectors approached included:

- Construction.
- Mining and mineral processing.
- Engineering procurement construction management.
- Utilities.
- Heavy manufacturing.
- Maintenance services.

Responses to our request were limited to fewer than 20 companies which provided documentation within the timeframe of this work. Each sector was represented by at least one example.

The review of the journal, industry and other web literature in Australia and overseas revealed surprisingly little information about management of specialist contractors. Generally, there was little evidence of consideration of a specific process for specialist contractor management as distinct from a general contractor management process.

All industry systems reviewed clearly indicated consideration of OHS requirements in contractor management systems. However, none of the management systems reviewed specified particular practices for “specialist” contractors, but more than half were explicit in taking a “risk based” approach to contractor management. The term “specialist” contractor or similar was not found in any of the system documentation reviewed.

Industry best practice for specialist contractor management is essentially the same process as the practice for “general” contractor management with some emphasis in certain areas.

As a result, the recommended “best practice” for specialist contractor management is a variant on the general contractor management amalgamated from literature sources.

The three keys for managing specialist contractors are to:

- Ensure that the overall approach is customised to the context. This means customising the approach depending on the nature of work, risks, complexity, location, etc.
- Seek specialist input (externally if required) to understand the critical risks and controls associated with the specialist work, and to assist at all stages of contractor management. That is, the company must inform itself regarding key risks and controls and get help in doing so. This helps the company make informed decisions in planning and selecting specialist contractors, as well as assisting in the monitoring and evaluation phases of specialist contractor management.
- Put considerable effort into the front end of contractor management – planning, specification and selection. The literature review indicates that it is these stages that strongly influence the performance of contractors, and this is a strong point of influence on specialist contractors.

It is difficult from this research to define “best practice” from industry responses received because systems provided are highly customised to the context of application. What suits one company may be not be suitable methodology for another, and also, companies in the same sector will be able to achieve the same outcome with different approaches. However, some concepts were identified as examples of “good practice” and were highlighted but not prescribed as “best practice”.



1. INTRODUCTION

John Holland Pty Ltd and Thiess Pty Ltd engaged Ibis Business Solutions (Ibis) in partnership with People Knowledge Consulting (People Knowledge) as experts to research and review industry leading practice for management of specialist subcontractors.

The context of this research is in response to commitments offered in an Enforceable Undertaking (EU) related to incidents that occurred in October 2006 during construction of Eastlink Tollway.

The EU requires:

Research into the work health and safety aspects of the management of contractors because they have specialist knowledge not possessed by the contracting party (specialist contractors)...

Conduct research into, and review, current safety practices and requirements in the construction industry in Australia and overseas in relation to the selection, verification, engagement, monitoring and management of specialist subcontractors as outlined below.

Identify industry leading practice in relation to the selection, verification, engagement, monitoring and management of specialist subcontractors.

Provide a written report which sets out the findings and recommendations of the research. The report is to detail all practices researched and reviewed, detail the recommendations for industry leading practice and detail the justification for selection of industry leading practices for each of the processes.

This report details the findings of this research.



2. METHODOLOGY

THE METHODOLOGY USED IN THIS RESEARCH INCLUDED:

2.1 LITERATURE REVIEW

This involved searching peer reviewed journal databases and industry publications, along with general publications and materials provided by regulators and industry associations available on the internet.

This documentation was reviewed to identify leading practice with regard to specialist contractor management.

2.2 INDUSTRY CONSULTATION

More than 70 companies across various sectors in Australia and overseas were invited to provide specialist contractor management systems documentation. Industry sectors approached included:

- Construction.
- Mining and mineral processing.
- Engineering procurement construction management.
- Utilities.
- Heavy manufacturing.
- Maintenance services.

It was intended to not be confined to the construction sector to gain a wider view of industry best practice.

Where possible, large multi national organisations were targeted to gain access to overseas practices.

Responses to our request were limited to fewer than 20 companies which provided documentation within the timeframe of this work. Each sector was represented by at least one example.

These systems were reviewed from a desk top standpoint and no opportunity was gained to gauge implementation, effectiveness or practicality of these systems.

Companies were approached directly by telephone and followed up with written correspondence to request participation.



3. FINDINGS AND DISCUSSION

3.1 BACKGROUND AND DEFINITION

The starting point for this research is to acknowledge that workplace health and safety legislation imposes a general duty on employers to ensure contractor safety. This paper does not intend to discuss and contrast different safety legislation worldwide, nor discuss the current changes with harmonisation of workplace health and safety legislation in Australia. The output of this research focuses on best practice to fulfil this duty and achieve safe outcomes from engagement of specialist contractors.

Firstly, it is important to clarify the meaning of the term “specialist contractor”.

The EU defines specialist contractors as those contractors with “specialist knowledge not possessed by the contracting party”.

Literature definitions are similar:

Specialist works refer to works that are carried out only by firms dedicated to a specific trade of works, which may be an emerging or established trade of works in modern buildings... Specialist works are typically procured through subcontracting, as they are outside the capability of, and would be uneconomical for a single general contractor to undertake, but they involve interfacing connections with other works and require proper coordination with other trades of works in the same building. (Yik, Lai, Chan & Yiu, 2006).

Characteristics of specialist subcontractors are further defined in this paper as described in Figure 1.

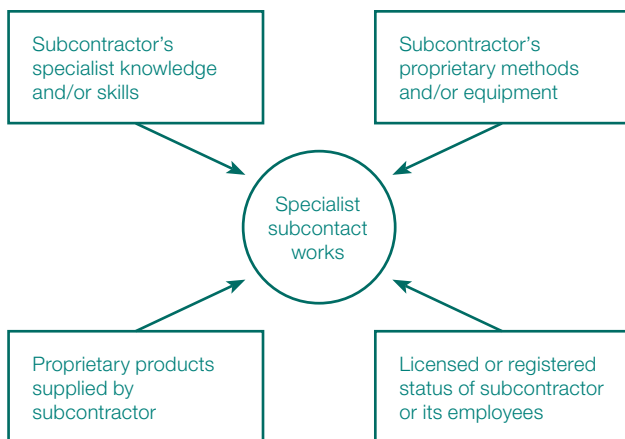


Figure 1: Key characteristics of specialist subcontractors (from Yik et al, 2006)

This definition is similar to that of the EU but adds the dimension of interfaces and the need for coordination by the company. This aspect of specialist subcontractor management is critical in the construction industry and will strongly influence the focus of this research into industry “best practice”.

Bennett and Ferry (1990) describe a specialist contractor as “a firm which constructs specific elements of buildings ... traditionally such firms acted as trade subcontractors to a general contractor... (but) in practice ... responsibilities of specialists (especially industrial rather than craft based specialists) are often wider and frequently include at least some design decisions”.

This definition highlights the potential complexities of contemporary contracting practices and indicates that specialist contractors can encompass a wide variety of services in the construction industry. Implications for this research are that while the EU definition sounds straightforward, the term specialist contractor can encompass a very wide range of services which will likely require a tailored approach to selection, engagement and management.

Hinze and Tracey (1994) apply a simpler definition “speciality contractors who are hired to perform specific tasks on a project ... they have differing needs for coordination on the project”. These authors limited their study of specialty subcontractors to specific trades, but the definition again highlights the complexities of subcontracting and the need for coordination and management.

For the purposes of this research, the definition in the EU will apply: contractors with “specialist knowledge not possessed by the contracting party”.

However, in light of the above discussion, it is evident that this definition can encompass a wide variety of contractors in the construction industry and that there are underlying complexities not borne out by this simple definition.

Furthermore, what is a specialist contractor to one company may not be a specialist contractor to another. Each situation of contracting will be different.

3.2 LITERATURE REVIEW

Our focus in this research will use this definition but expand slightly to put emphasis on the following areas:

Contractors with specialist knowledge not possessed by the contracting party, undertaking:

- *Work that potentially involves significant OHS risk to the contractors or other parties.*
- *Work that is technically specialised.*

Typical examples in the construction industry could be transport of goods (e.g. precast panels, pre-constructed modules, or dangerous goods), asbestos removal, installation of lifts, commercial diving, and window cleaning using rope access.

To simplify nomenclature throughout this report the following terms will be applied:

Company - the party engaging the specialist contractor.

Contractor – the specialist contractor.

Subcontractor – party engaged by the contractor.

The review of the journal, industry and other web literature in Australia and overseas revealed surprisingly little information about management of specialist contractors. Generally, there was little evidence of consideration of a specific process for specialist contractor management as distinct from a general contractor management process. Relevant materials sourced and reviewed included:

3.2.1 PEER REVIEWED LITERATURE

The peer reviewed literature includes several studies in Australia and overseas which investigate the safety performance of subcontractors and some of the influences on this performance, including regulatory regimes. These studies generally provide insight into various environmental factors influencing performance of contractors in contemporary work arrangements, and in many cases pinpoint influences of the company on safety performance. Some of these specific studies include:

Hale, Walker, Walters and Bolt (2012) investigated underlying causes of 26 incidents in the UK building industry and correlated “*contracting strategy*” as a causal factor. However, the definition and meaning of this is not clear from the publication.

Hinze and Gambatese (2003) investigated factors affecting safety performance of speciality subcontractors. These speciality contractors were different trades in the construction industry such as bricklayers and electricians. This study identified organisational and system factors within the subcontractor companies affecting performance rather than looking at the influence of the company engaging the contractors.

Glazner, Borgerding, Bondy, Lowery, Lezotte and Kreiss (1999) correlated consideration of contractor safety performance in selection as one of the positive factors involved in subcontractor performance on a single construction project.

Huang and Hinze (2006) investigated the owner’s role in contractors’ safety performance and identified key factors of objective setting, selection practices and owner participation as key factors in successful subcontractor safety performance.

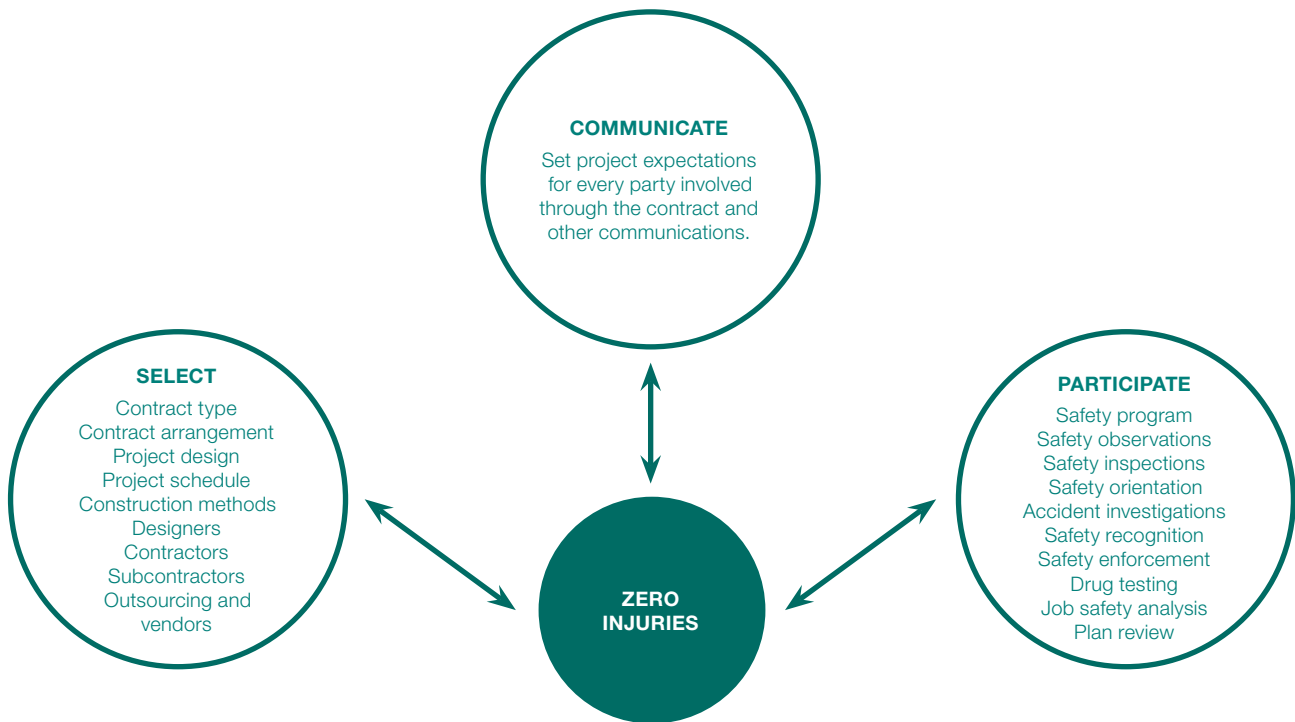


Figure 2: Key factor involved in contractors' safety performance (from Huang & Hinze, 2006)

Mayhew and Quinlan (1997, 2006) conducted specific studies of OHS performance of contractors in long haul trucking and residential building industry, focussing predominantly on work arrangements and their potential negative impacts on safety performance.

Johnstone, Quinlan and Mayhew (2001) and Manu, Proverbs, Ankrah, Suresh (2011) have reviewed the impact of the trend towards increased contracting in Australia, the USA and UK and discussed regulatory approaches to dealing with changing work arrangements and the effect of this trend on industry safety performance.

Key findings from these studies regarding positive aspects of contractor management by companies that will be carried forward in this review are:

- Objective setting (and providing clear expectations) for safety performance – in contracts and day to day management.
- Integration of safety into selection practices.
- Company participation and interest in contractor safety performance (involvement and consultation).

Holt (2012) has reviewed the academic research in the area of contractor selection methodologies. This work focuses on the general issue of contractor selection and includes, but does not specifically focus on, safety criteria. The emphasis of this work is on identifying specific criteria and using various sophisticated mathematical techniques to process input data to make optimum selection decisions.

Safety criteria are included in several of the references cited in this review paper (Yik et al, 2006; Palaneeswaran & Kumaraswamy, 2001; Nieto-Morote & Ruz-Vila, 2012; Kadefors, Bjorlingson, & Karlsson, 2007; Hatush & Skitmore, 1997, 1998; El-Sawalhi, Eaton, & Rustom, 2007.

Key safety criteria that are used as input into these models are predominantly:

- Past performance (injury rates or insurance experience modification rate), and;
- Systems criteria (policies, procedures etc.).

3.2.2 NON-PEER REVIEWED INDUSTRY LITERATURE

Several articles in industry publications which were reviewed as part of this research in Australia (Murfett, 2012) and the USA (O'Brien, 2003; Nash, 2005; Emmons, 2007; Huckaby, 1994; Krzywicky, 2000; and Metzgar, 2002) provide key industry approaches to contractor management. Key factors identified include:

- Clear specifications and expectations.
- Inclusion of safety performance in the selection process.
- Induction, orientation and training.
- Monitoring and auditing.
- Performance review.

3.2.3 INDUSTRY / REGULATORY GUIDANCE AND OTHER PUBLICATIONS

Quinlan (2007) has written an excellent review of the contractor management process (again with no specific reference to specialist subcontractors) discussing how the contracting process can undermine safety performance. This article suggests steps companies can take to improve contractor safety performance and meet their legal obligations. These actions include:

- Developing a subcontractor management program and policies.
- Senior managers demonstrating commitment to safety.
- Requiring subcontractors to develop safety systems.
- Encouraging information exchange and feedback between the company and contractors.
- Monitoring / auditing contractors.
- Including safety requirements in contracts.
- Using preferred / prequalified contractors
- Tailoring the approach to the type of work.

This work, like the work of Huang and Hinze (2006) cited above, highlights the demonstrated leadership by the company as a key ingredient of successful contractor management. The researchers acknowledge that this is a critical determinant of implementation of any aspect of a safety management system.

Key contractor management process information from regulators was reviewed including Comcare (2010 and 2012), Victorian Workcover Authority (1999, 2010 and 2011), Abu Dhabi EHSMS Regulatory Framework (2012), and UK HSE (2011). Industry association guidelines and standards reviewed were International Association of Oil and Gas Producers (1999) and AS/NZS 4801, and BS OHSAS 18001.

The Office of the Federal Safety Commission audit criteria (2011) also include a range of requirements for contractor management system of “OFSC accredited” companies. These requirements include:

- Common systems of induction.
- Review of contractors’ safety plans and safe work method statements.
- Exchange of information / consultation.
- Worker involvement in safe work method statement development.
- Reporting of hazards and incidents.
- Systems for dealing with non-compliance.
- Verification of competency.

3.2.4 TRAINING IN SPECIALIST CONTRACTOR MANAGEMENT

Training in specialist contractor management was not identified in the literature search but two examples of general contractor management training programs were identified – Comcare (undated) and UK HSE (2011). Key aspects of the Comcare training include:

- Overview of legislation, duty of care and primary duties.
- Reasonably practicable steps – relevant legislation, including explanation of “*reasonably practicable*”, person conducting business or undertaking further duties.
- Contractor selection – introduction and work health and safety considerations.
- Contractor engagement – consultation and communication, control and control issues.
- Contractor management – introduction and ongoing management and assurance.
- Contract conclusion – finalisation, review and monitor.

The UK HSE training has a similar format.

3.3 THE SPECIALIST CONTRACTOR MANAGEMENT PROCESS

Considering the literature reviewed in the previous section, the “*key ingredients*” for successful contractor management are amalgamated into a suggested “*best practice*” process in the following section. This is presented as a model for general contractor management with emphasis, where appropriate, on steps for effective management of specialist contractors as defined in this research. This is done because the literature does not distinguish “*specialist*” contractor management from general contractor management.

These criteria focus on the system components of contractor management, but it is recognised that demonstrated company leadership is critical in development and implementation of such a system.

Following this section, the evaluation of industry “*best practice*” will be made against these requirements, including details of how these requirements are met.

The contractor management process can be represented as a six step process:

1. Planning

- Scope the work.
- Identify hazards and assess risk:
 - Consult / obtain “*specialist*” input.
- Assign responsibility and resources for contractor management.
- Develop contractor management strategy based on risk:
 - Determine level of “*management and control*”.

2. Specification of tender and contract

- Define / delineate responsibilities.
- Define capability, system and accreditation requirements.
- Set expectations for performance.
- Communicate results of risk assessment.

3. Evaluation and Selection

- Include OHS as selection criteria.
- Verify capability and resources:
 - Consult / obtain “*specialist*” input to evaluation.
 - Interview if required.
- Implement a prequalification process.

4. Premobilisation

- Verify that key systems and controls are established:
 - For example supervision, competency, systems, training.
- Conduct kick off meeting:
 - Consult / clarify expectations and responsibilities.
 - Confirm communication routes and methods.
- Provide induction

5. Management during execution

- Monitor performance:
 - Conduct inspections / audits.
 - Use “*specialists*” for inspections / audits.
 - Provide feedback.
 - Monitor corrective actions.
- Receive, review and act on performance information.
- Consult and communicate.

6. Evaluation

- Review performance and feedback.
- Use results of evaluation to guide future engagement decisions.

Details of each step are now defined with reference to implications for selection of “*specialist*” contractors.

3.3.1 PLANNING

The main objectives of this phase are to describe the work to be done and assess the OHS risks associated with the work. The appropriate management approach will be determined as a result.

3.3.1.1 Scoping the work

The work to be completed must be clearly defined by the company. This will contribute to thorough planning by the company and provide information allowing prospective contractors to fully understand the outcomes required.

3.3.1.2 Identifying hazards and assessing risk

The company should undertake initial hazard identification / risk assessment of all of the proposed work. This will enable information regarding known hazards and risk associated with the work to be communicated to the contractor (e.g. existing site hazards, as well as anticipated hazards associated with the contracted work).

Where specialist work is proposed to be undertaken, the company should consult with and obtain “specialist” input so that it is informed of the key risks and the required critical controls to be applied by any specialist contractor.

3.3.1.3 Assign responsibility and resources for contractor management.

This is a critical step in the planning stage. Depending on the scope of work and the associated risks, resource requirements for contractor management will need to be determined. Regardless of risk, it is important that company personnel are assigned clear responsibilities for contractor management, including supervision, coordination and interface management. Additional resources are then allocated on the basis of risk.

3.3.1.4 Determine contractor management strategy based on risk

The contractor management strategy will depend on such factors as the type of work, the level of risk, the complexity, the duration, the location and value of the work. More resources and effort are clearly required as all of these factors increase.

The level of management and control of the work should also be considered at this early stage as this will affect contractor management strategy. This does not mean to inappropriately avoid taking reasonably practicable steps to manage contractors. Instead, it aims to clarify “*who does what*”. For example, the contractor may be responsible for providing, inspecting and maintaining safe plant, while the company may be responsible for verification that such a plant safety system is established.

Where specialist contractors are involved, the level of management and control may be potentially reduced because of the technically specialised nature of the work. However, legal duty remains. The upshot is that the points of influence in the contracting process should be targeted to ensure safe outcomes. For example, if it is recognised that it will be challenging to monitor works because of location or specialist nature, considerable effort will need to be placed on ensuring selection of safety competent contractors. The use of specialists in the monitoring process should be considered.

3.3.2 SPECIFICATION OF TENDER AND CONTRACT

Development of the tender and contract specification documents is important to ensure that all company expectations for safety are defined and communicated to the contractor. This step aims to contribute to safe outcomes by ensuring that all parties have clearly defined responsibilities.

In this step it may be useful to have specialist input into development of these documents for specialist contractors.

3.3.2.1 Define / delineate responsibilities

Part of the tender / contract specification process involves defining and delineating responsibilities for safety management. This is particularly important for specialist contractors because there will be areas where the company will expect the contractor to take full responsibility for certain aspects (e.g. maintaining specialist plant and equipment). There will be other areas where responsibility may be shared (e.g. conducting joint site inspections).

3.3.2.2 Define capability, system and accreditation requirements

Specification requirements may include requirements for:

- General accountabilities and requirements for legislative compliance.
- Company policies and procedures.
- Licences and permits.
- OHS management system requirements, including external accreditation (e.g. AS4801 or ISO18000).
- Training and competency.
- OHS management plans.
- Conduct of risk assessment.
- Incident reporting.
- Performance reporting.
- Consultation requirements.
- Auditing and inspection.
- Review of documentation (e.g. plans or Safe Work Method Statements) prior to commencement.
- Non conformance processes.

In the case of specialist subcontractors, the specification stage is critical to ensure that all specialist requirements are defined and communicated in specification and tendering documents. Input from specialist support personnel may be required at this stage to develop appropriate specifications for specialist contractors.

Tender questionnaires provided at this stage require the contractor to provide information about its systems and performance.

3.3.2.3 Set expectations for performance

By clearly specifying requirements in tender and contract documents, the company sets clear expectations for safety performance prior to engagement.

3.3.2.4 Communicate results of risk assessment

The tender / specification should include results of the initial risk assessment undertaken by the company. This ensures that the contractor is informed of risks known to the company (possibly unique to the site) and also sets expectations for the contractor to provide plans in tender submissions to deal with these risks.

An example of tender / prequalification questionnaires that may be appropriate to specialist subcontractors is contained in Appendix 1 (International Association of Oil and Gas Producers, 1999).

3.3.3 EVALUATION AND SELECTION

3.3.3.1 Include OHS as selection criteria

In this stage the selection of safety competent contractors is ensured by close consideration of contractors' safety credentials and inclusion of safety performance as an explicit selection criteria.

Guidelines and standards referenced in section 3.2 do not discuss weighting or selection but merely indicate that selection must consider the contractor's ability to safely and competently complete the work, not just price. Tender questionnaires developed and issued in the previous stage provide the basis for this evaluation.

3.3.3.2 Verify capability and resources

The objective of evaluation is to verify the capability and resources of the contractor to undertake the work safely. Because of the specialised nature of the work, it may be necessary to consult with and obtain "specialist" input to the evaluation.

In some cases, and particularly where high risk specialised work is being undertaken, an interview and / or presentation process may be required to enhance the evaluation process. This will also provide an opportunity to promote consultation and information exchange that should be carried through the entire engagement process.

3.3.3.3 Implement a prequalification process

For companies undertaking regular and repeated use of contractors including specialists, a prequalification process is often undertaken to increase the efficiency and reliability of the selection process. By having a selection of contractors with known levels of capability and competency, the selection process can be made more efficient. Prequalification requirements are usually similar to tender questionnaire requirements for safety.

3.3.4 PREMOBILISATION

The objective of this step is to verify prior to work commencement that all responsibilities are clarified and understood, information exchange has occurred (especially information regarding risks), and to make sure that key systems and controls are established.

3.3.4.1 Verify key systems and controls are established

The establishment of key systems and controls (e.g. supervision, competencies, resources, systems, and training) may need to be verified prior to work commencing. It is common for risk assessments, contractor safety plans, and permits to be checked prior to commencement.

3.3.4.2 Conduct kick-off meeting

Kick-off meeting(s) provide a forum before mobilisation to foster consultation, clarify expectations and responsibilities, and confirm communication routes and methods. Information exchange should continue at this stage.

3.3.4.3 Provide induction

Induction processes for all contractors should also be established to provide awareness of key hazards, risks and control measures, as well as consultation / coordination arrangements.

3.3.5 MANAGEMENT DURING EXECUTION

The objectives at this stage are to ensure that the contracted work is safely conducted in accordance with contract requirements. As in all stages of this process, it is important that effective consultation occurs at all levels, changes are controlled, assessed and agreed, and that corrective actions are implemented promptly and effectively.

3.3.5.1 Monitor performance

Performance monitoring will be determined by the level of risk. It will be carried out according to defined responsibilities by the contractor and by the company. Assuming that the company retains some level of management and control of a specialist contractor, this will be achieved by the conduct of inspections and audits by company representatives in conjunction with the contractors.

In the case of specialist contractors it may be necessary to utilise independent specialists to undertake some or part of the monitoring.

Feedback must be provided as a result of the monitoring and any agreed actions recorded and tracked to completion.

3.4 REVIEW OF INDUSTRY SYSTEMS

3.3.5.2 Receive, review and act on performance information

Another performance monitoring measure is to require communication of reports of all incidents, as well as regular periodic (e.g. monthly) safety performance reporting.

3.3.5.3 Consult and communicate

High levels of communication and consultation should be maintained with the contractor. Sharing of “need to know” information about hazards / risks is critical at all stages of the work. Regular meetings with the contractor facilitates this process and, depending on the project, other forums may be necessary.

Consultation and information exchange should occur with all levels of contractor personnel and site arrangements should facilitate involvement of contractors in matters that affect their safety and health.

3.3.6 EVALUATION

The purpose of this stage is to conduct a joint evaluation of the contractor’s performance, provide feedback and use the results use results of evaluation to guide future engagement decisions. This feedback, in addition to feedback provided during the works, also provides an improvement opportunity for the contractor.

This must include specific consideration of safety performance.

This evaluation also provides an opportunity for the company to receive feedback and learn. That is, this process should include allowance for feedback to be received from the contractor to improve all stages of the engagement process.

3.4.1 GENERAL FINDINGS

Key general observations from the review of industry-provided contractor management systems were:

All systems reviewed clearly indicated consideration of OHS requirements in contractor management systems. However, none of the management systems reviewed specify particular practices for “specialist” contractors, but more than half were explicit in taking a “risk based” approach to contractor management. The term “specialist” contractor or similar was not found in any of the system documentation reviewed.

Similarly, there was no consideration in any of the systems reviewed of the need for specialists to be involved in planning, specification or tendering processes to determine specific requirements. That is not to suggest that it doesn’t happen, but documented processes reviewed were more geared to a generalised contractor management process.

The most comprehensive and detailed systems that addressed the majority of the key points for management of contractors, highlighted in 3.3, were those organisations that were clients of construction companies (e.g. mining and utilities companies). This is not surprising considering that these companies would typically engage a wider range of contractors in potentially high risk environments.

Most of the systems reviewed included some or all aspects of all six points, although in all but one instance details on contract specifications were not provided to verify OHS content / expectations specified in contracts.

It is difficult from this sample to define “best practice” because systems provided are highly customised to the context of application. What suits one company may be not be suitable methodology for another. Also, companies in the same sector will be able to achieve the same outcome with different approaches. However, some concepts were identified as examples of “good ideas” and will be highlighted in the following sections but not prescribed as “best practice”.

Only one contractor management system reviewed included explicit requirements for training of company personnel in application of the system. In this case training included :

- Role and responsibilities.
- Legal and other drivers.
- The company’s contractor management system.
- Related safe systems of work.
- Development of key skills / behaviours such as coaching and negotiation.
- OHS systems auditing.

3.4.2 PLANNING SYSTEMS

This is not to say that these companies do not have training for contractor managers. It may be that this detail resides elsewhere in the management system and was not provided to the researchers. For example, training may be described in the training procedures / needs analysis.

The model for a contractor management system designed for local government (VWA, 1999) has clearly been applied in three existing systems across different industry sectors, including maintenance services, mining and utilities.

This is evidenced by similar diagrams, terminology and categorisation of contract types. This indicates that this model has been picked up and adapted across many industries and not just in local government and that the concepts, although developed in the late 1990s, still apply.

The following are the findings of the review of industry systems against each of the six key aspects of the specialist contractor management system:

Most of the systems reviewed addressed assessing the risk associated with contracted scope of work, although only two defined a clear process for how this is done in the system documentation provided. This potentially leaves open to interpretation the decision making process that guides the remainder of the process. Additionally, none of the systems reviewed were explicit about identifying specific risks associated with the contracted work, but more focussed on the overall risk level.

In some cases where the operation was relatively stable and predictable, the scope of work and associated risk had been evaluated for contracted work across the whole company. This included consideration of type of work and risks in development of the procedure. Subsequently, categories of contract types based on these factors were established and procedures developed for each of these categories. The shows thorough planning in contractor management and is an example of an approach that may be adapted to the management of specialist contractors in the construction industry.

REQUIREMENTS	CATEGORY OF CONTRACTOR					
	1	2			3	4
		HIGH RISK	MEDIUM RISK	LOW RISK		
OHS&E Management Plan		✓	✓		✓	✓
OHS and Environmental Policy		✓	✓	✓	✓	✓
Licences	✓	✓	✓	✓	✓	✓
Insurance	✓	✓	✓	✓	✓	✓
OHS Risk Register		✓	✓		✓	✓
Environmental Aspects & Impacts Register		✓	✓		✓	✓
Subcontractor Management		✓	✓	✓	✓	
Performance Measurements		✓	✓	✓	✓	
Communication/Consultation		✓	✓		✓	✓
External Certification/Company Audit		✓	✓		✓	
Company Audit	✓			✓	✓	✓
Nominated Responsible Person	✓	✓	✓	✓	✓	✓
Other Registration - Plant/Equipment	✓	✓	✓	✓	✓	✓
Competency/Training Employees	✓	✓	✓	✓	✓	✓
ISO 9001 Quality Management		✓	✓		✓	
Identification of Principal Contractor		✓	✓	✓	✓	
Pre-tender Meeting Discussions Held	✓	✓	✓	✓	✓	✓
Contract Terms Include OHS&E Requirements	✓	✓	✓	✓	✓	✓

Figure 3: Industry example of risk rating of different types of contracts and criteria assessed for selection

Another example of good practice was a company that assigned operational personnel as the focal point for contractor management, in addition to contract administrators / procurement personnel. The responsibilities of this role are wide ranging and detailed and include “coaching” and driving improvement in the contractor’s safety performance. All major / “high risk” contracts require such a role appointment. In the construction context, no examples of roles including this requirement were noted. Responsibilities for contractor management were broadly defined in all procedures, but few were explicit about assigning specific operational personnel these wide ranging responsibilities. Most focussed solely on day to day management responsibilities.

This point is important in the construction context because specialist subcontractors can be engaged across different disciplines and responsibilities can possibly be “blurred”.

One procedure went so far as to define “management and control” responsibilities in the procedure.

Under common law and statute law, Principals ... owe the same duty of care to Contractors and Sub-contractors as they do to their own employees in relation to matters under the Principal's control:

As such, activities within the contract that will occur within the Contractor's own premises are not to be included within the contract OSH risk assessment, and need not be managed through these Procedures (subject to the notes below). For example, contracts for the supply or fabrication of goods needn't attempt to manage OSH risks within the manufacture or warehousing of the goods on the Contractor's premises, but should still seek to manage risks such as the transport, delivery and on-site assembly.

Notes:

- 1. The principle of being distanced from control (and responsibility) of activities on a Contractor's own sites may not apply if the Contractor maintains those premises exclusively (or almost exclusively) to service the Company (such as may be the case with some sites).*
- 2. For the purpose of this principle, giving the Contractor “Possession of Site” does not make it the Contractor's own premises (under the OSH Act a Principal cannot contract out of their OSH Responsibilities).*

3.4.3 SPECIFICATION OF TENDER AND CONTRACT

In only one instance were contract specification requirements provided. This included “model” specification requirements clearly adapted from the VWA (1999) guidelines listed in section 3.2.3 above. These guidelines set good high level expectations although did not address in any detail “control and management” responsibilities.

It was not possible to reliably assess from documents provided how well contract documents delineated responsibilities, because contract documents were not included in materials provided.

Most systems included tender documents that requested information about the contractor’s OHS management system, capability and performance. Typical information requested included:

- Policies.
- Performance.
- Past or pending legal actions.
- Training and competencies.
- Content and accreditation of systems including:
 - consultation processes
 - management of subcontractors
 - incident management and reporting
 - plant and equipment management.
- Specific procedures for management of risks specific to the work.

Because no systems were explicit about assessing specific known risks to the contractor in the planning stage, it is not surprising that there were no requirements at this stage of the project to communicate those risks in the tender documentation. However, all tender requirements and questionnaires that were reviewed included a requirement for the contractor to conduct risk assessments for the works. In some cases, this was required to be submitted in preliminary form with submissions. In others, it was stated as a requirement to be completed and reviewed before commencement of the work.

It should be noted that in all systems reviewed, contractor induction was included in the premobilisation phase and this information would be communicated at this stage. However, it is suggested that any information about known risks is communicated at the tendering stage to ensure that contractors are well prepared, and it is not “assumed” that they know about contract specific risks. The earlier that this information is shared the better as it provides an improved opportunity to identify and plan for control measures in advance. In particular, this provides an opportunity for contractors to allow costs for specific measures in tender responses.

3.4.4 EVALUATION AND SELECTION SYSTEMS

All industry systems reviewed stated that OHS performance was a selection criterion. However, none of the systems documentation provided gave any indication about how decisions were made regarding selection of contractors. This appears to be a “black hole” in the systems reviewed.

This includes the process of review of materials and any interviews held. It was not possible to gain, from the documentation provided, an insight into the real consideration of safety performance in actual selection except that it is “considered”.

It was notable in three cases that HSE “specialists” were required to review contractors’ HSE tender responses. In these cases it was an explicit system requirement that competent personnel were assessing the capability and resources of contractors. In all cases, this was a company OHS qualified person. As noted previously, no procedures directly addressed possible use of other “specialists” (possibly even external specialists) when the capability of technically specialised contractors was being evaluated.

Prequalification was used by many of the industry respondents to facilitate a consistent and efficient engagement process. In one case, contractors were required to complete extensive prequalification questionnaires relating to safety, including details of policies, systems, and performance as listed in section 3.3.3 above. This was in addition to extensive questionnaires regarding other dimensions of capability for legal compliance, financial capacity, service / capability, quality and ethics / communities development.

This prequalification system includes clearly defined minimum requirements for OHS. If a minimum score is not achieved, the company is not prequalified. Also, an overall score is developed from all areas and is weighted up to 50% by OHS criteria. If a minimum overall score is not achieved prequalification is not accepted. The prequalification system also includes clear recording of improvement plans for contractors that are tracked to completion. A representation of performance mapping is shown below.

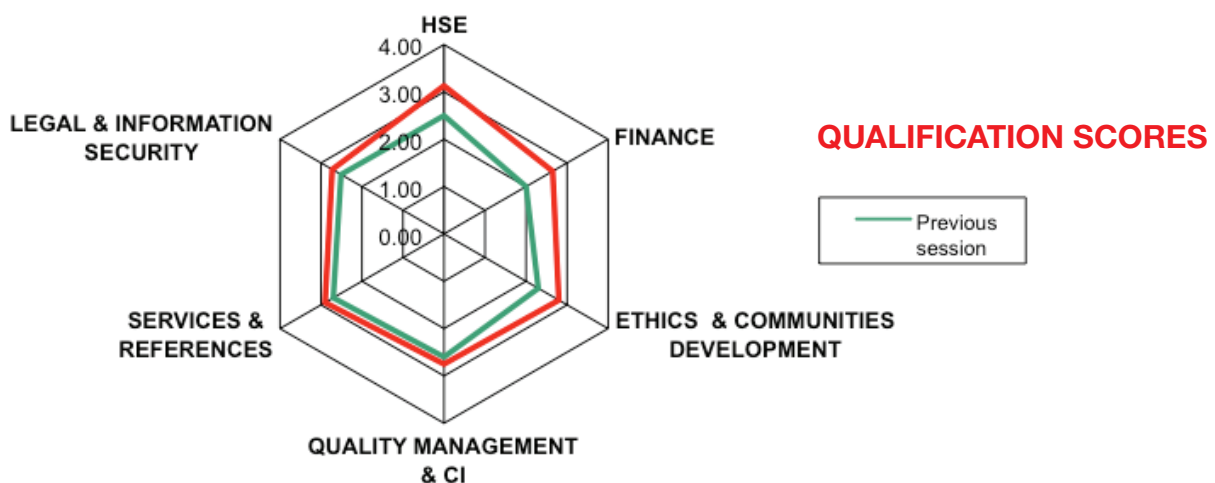


Figure 4: Example of prequalification dimensions and scoring

Although not all specific criteria in this example may be relevant to construction, the concept of this type of prequalification and documented tracked contractor improvement plan does have relevance.

During this research it was also noted that there are providers that specialise in providing critical information about contractors to companies. These organisations carry out assessment and prequalification of contractors for companies and also conduct periodic desk top reviews of systems and performance. These companies tailor the assessment to the work and associated risks undertaken

by contractors and maintain audit / assessment protocols for all risks encountered. For example, if the contractor is a commercial diving operation, this organisation will develop and apply an assessment protocol based on legislative and other standard requirements for that activity. This organisation will rate the contractors systems and performance and provide this information to the company as input to their engagement decisions. The industries served by these organisations are wide ranging and include construction.

3.4.5 SYSTEM REQUIREMENTS FOR PREMobilISATION

Most of the systems reviewed included some “*gates*” or “*hold points*” between the point of engagement and the commencement of work to ensure that key contractual requirements are in place and that critical information exchange occurs.

Processes at this point included verification of resources / supervision adequacy, verification of subcontractors, OHS management plans, and associated verification of training records, equipment registrations etc. There were no real stand out processes here, except to note that most systems included this step.

One system reviewed clearly defined requirements for premobilisation activities based on the risk associated with the contracted works. The extent of documentation / verification and consultation prior to commencement was defined for “*high risk*” and “*low risk*” contracted works.

Most systems included “*kick off*” or “*prestart*” meetings. This is the point at which there is an opportunity created to consult, exchange information and reinforce expectations.

Induction process requirements were well documented and many industry respondents across different sectors provided detailed “*contractor handbooks*” which documented company OHS standards and rules.

3.4.6 SYSTEMS FOR MANAGEMENT DURING EXECUTION

Performance monitoring requirements for contracts were included in all systems reviewed. Many were explicit about the need to target monitoring based on risks associated with the works. In one case, the system defined a matrix that specified the minimum frequency of auditing based on risk of the contracted works. In the same system the minimum frequency of contract meetings was also defined based on the same risk levels.

None of the systems reviewed were specific about the timing of monitoring. For example, placing a requirement for close monitoring on and immediately after establishment to ensure that systems were in place. It must be noted that some systems premobilisation processes included some “*prestart*” checks that were really establishment checks (such as establishment of site emergency response facilities, arrangements and personnel).

Some systems reviewed included specific checklists for monitoring of contractors. It must be recognised that in a

construction context inspections are often done according to the company process across the site and contractors are required to participate in these processes. (For example, OFSC criteria (OFSC, 2011) include this as a specific requirement of accredited contractors).

None of the systems documents reviewed go to the level of detail of requiring use of internal or external specialists to assist with monitoring of technically specialised activities.

It is also known to the researchers that often contracts require the contractor to engage suitably qualified auditors to audit specialised activities. The audit report is then reported back to the company and it tracks the completion of any corrective actions. This is a practical way of providing monitoring of highly technical specialised contract work.

Many were explicit in their systems for receiving and reviewing performance reports. This included immediate reporting of significant incidents or potential incidents, and periodic (e.g. monthly) reporting of all injuries. This reporting often included reporting against defined expectations (KPIs) for completion of prevention and / or consultation activities such as inspections, work task observations, “*tool box meetings*”, corrective actions reported and closed out, and other OHS “*issues*”.

Most processes included specific processes for the company’s process and expectations for raising and dealing with contractor non-conformances.

Most contractor management systems reviewed addressed the need for contract review meetings, but the requirement for ensuring consultation involving contractor workers and subcontractors was not explicit, except in one case. Contractor information provided in an oil and gas example was very explicit about the need for all contractors and subcontractors to be fully engaged in site consultative arrangements. It is also recognised that these requirements are often specified in other parts of a company’s management system, however, it is a point of note that consultation is not explicit in this section of many contractor management procedures.

3.4.7 EVALUATION SYSTEMS

Approximately half of the systems reviewed included a contractor performance evaluation. Most of these were non-specific about the process used. In only one case was there a specific report required to be provided that covered all areas of contract performance and prompted for some key aspects of safety performance. (Attached Appendix 2).

In the one example of a sophisticated prequalification system, this review clearly was recorded and used to guide future engagement decisions. The system included a requirement for a demobilisation meeting that included an agenda prompt for review of safety performance.



4. CONCLUSION AND RECOMMENDATIONS

Industry best practice for specialist contractor management is essentially the same process as the practice for “general” contractor management with some emphasis in certain areas. The body of literature and industry systems documentation researched does not distinguish between general contractor management and specialist contractor management.

As a result, the recommended “best practice” for specialist contractor management is a variant on the general contractor management amalgamated from literature sources.

The three key recommendations for managing specialist contractors are to:

- Ensure that the overall approach is customised to the context. This means customising the approach depending on the nature of work, risks, complexity, location etc.
- Seek specialist input (externally if required) to understand the critical risks and controls associated with the specialist work, and to assist at all stages of contractor management. That is, the company must inform itself regarding key risks and controls and get help in doing so. This helps the company make informed decisions in planning and selecting specialist contractors as well as assisting in the monitoring and evaluation phases of specialist contractor management.
- Put considerable effort into the front end of contractor management – planning, specification and selection. The literature review indicates that it is these stages that strongly influence the performance of contractors, and this is a strong point of influence on specialist contractors.

General contractor management processes that have been previously defined locally and overseas provide an adequate framework for specialist contractor management. This recommended process is repeated below with key areas of emphasis for specialist contractor management noted in bold type:

1. Planning

- Scope the work.
- Identify hazards and assess risk:
 - **Consult / obtain “specialist” input.**
- Assign responsibility and resources for contractor management.
- Develop contractor management strategy based on risk:
 - Determine level of “management and control”.

2. Specification of tender and contract

- **Define / delineate responsibilities.**
- **Define capability, system and accreditation requirements.**

- Set expectations for performance.
- Communicate results of risk assessment.

3. Evaluation and Selection

- **Include OHS as selection criteria.**
- Verify capability and resources:
 - **Consult / obtain “specialist” input to evaluation.**
 - Interview if required.
- Implement a prequalification process.

4. Premobilisation

- **Verify that key systems and controls are established:**
 - For example, supervision, competency, systems, training.
- Conduct kick-off meeting:
 - Consult / clarify expectations and responsibilities.
 - Confirm communication routes and methods.
- Provide induction

5. Management during execution

- Monitor performance:
 - Conduct inspections / audits.
 - **Use “specialists” for inspections / audits.**
 - Provide feedback .
 - Monitor corrective actions.
- Receive, review and act on performance information.
- Consult and communicate.

6. Evaluation

- Review performance and feedback.
- Use results of evaluation to guide future engagement decisions.

It is difficult from this research to define “best practice” from industry responses received because systems provided are highly customised to the context of application. What suits one company may be not be suitable methodology for another. Also, companies in the same sector will be able to achieve the same outcome with different approaches. However, some concepts were identified as examples of “good ideas” and were highlighted but not prescribed as “best practice”.



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6. APPENDICES

6.1 APPENDIX 1 EXAMPLE OF PREQUALIFICATION QUESTIONNAIRE

General guidelines for preparation of questionnaire

- 1 The questionnaire should cover the information required to assess the extent to which HSE and its management are organised by the contractor.
- 2 The contractor should be advised to cover all (including support) relevant activities and not just those conducted on company sites.
- 3 The questionnaire should be validated by a responsible contractor line manager prior to submission.
- 4 Emphasis should be placed on the need for complete answers substantiated by supporting documentation as far as is practicable. Responses and any supporting documentation must relate specifically to the policy and organisational arrangements of the company that would be the signatory of any contract.
- 5 Submissions should be assessed by a scoring mechanism that can be used in the evaluation process.
- 6 If necessary, follow-up discussion with the contractor's management may be needed.
- 7 The contractor should be encouraged to identify where he exceeds company requirements and this excellence should be recognised.

Table III: Questionnaire for contractor HSE pre-qualification

Section 1: Leadership and Commitment

(i) Commitment to HSE through leadership

a) How are senior managers personally involved in HSE management?

b) Provide evidence of commitment at all levels of the organisation?

c) How do you promote a positive culture towards HSE matters?

Section 2: Policy and Strategic Objectives

(i) HSE policy documents

a) Does your company have an HSE policy document? If the answer is YES please attach a copy.

b) Who has overall and final responsibility for HSE in your organisation?

c) Who is the most senior person in the organisation responsible for this policy being carried out at the premises and on site where his employees are working? Provide name, title and experience.

(ii) Availability of policy statements to employees

a) Itemise the methods by which you have drawn your policy statement to the attention of all your employees?

b) What are your arrangements for advising employees of changes in the policy?

Section 3: Organisation, Responsibilities, Resources, Standards and Documentation

(i) Organisation - commitment and communication

a) How is management involved in HSE activities, objective-setting and monitoring?

b) How is your company structured to manage and communicate HSE effectively?

c) What provision does your company make for HSE communication meetings?

(ii) Competence and Training of managers/ supervisors/senior site staff/ HSE advisers

Have the managers and supervisors at all levels who will plan, monitor, oversee and carry out the work received formal HSE training in their responsibilities with respect to conducting work to HSE requirements? If YES please give details. Where the training is given in-house, please describe the content and duration of courses.

(iii) Competence and General HSE training

a) What arrangements does your company have to ensure new employees have knowledge of basic industrial HSE, and to keep this knowledge up to date?

b) What arrangements does your company have to ensure new employees also have knowledge of your HSE policies and practices?

c) What arrangements does your company have to ensure new employees have been instructed and have received information on any specific hazards arising out of the nature of the activities? What training do you provide to ensure that all employees are aware of company requirements?

d) What arrangements does your company have to ensure existing staff HSE knowledge is up to date? (If training is provided in-house please give details of content.)

(iv) Specialised training

a) How have you identified areas of your company's operations where specialised training is required to deal with potential hazards? (Please itemise and provide details of training given.)

b) If the specialised work involves radioactive, asbestos removal, chemical or other occupational health hazards, how are the hazards identified, assessed and controlled?

(v) HSE qualified staff - additional training

Does your company employ any staff who possess HSE qualifications that aim to provide training in more than the basic requirements?

(vi) Assessment of suitability of subcontractors/ other companies

a) How do you assess:

i) HSE competence

ii) HSE record of the subcontractors and companies with whom you place contracts?

b) Where do you spell out the standards you require your contractors to meet?

c) How do you ensure these standards are met and verified?

(vii) Standards

- a) Where do you spell out the HSE performance standards you require to be met?

- b) How do you ensure these are met and verified?

- c) How do you identify new industry or regulatory standards that may be applicable to your activities?

- d) Is there an overall structure for producing, updating and disseminating standards?

Section 4: Hazards and Effects Management

(i) Hazards and effects assessment

What techniques are used within your company for the identification, assessment, control and mitigation of hazards and effects?

(ii) Exposure of the workforce

What systems are in place to monitor the exposure of your workforce to chemical or physical agents?

(iii) Handling of chemicals

How is your workforce advised on potential hazards (chemicals, noise, radiation, etc.) encountered in the course of their work?

(iv) Personal protective equipment

What arrangements does your company have for provision and upkeep of protective equipment and clothing, both standard issue, and that required for specialised activities?

(v) Waste management

What systems are in place for identification, classification, minimisation and management of waste?

(vi) Drugs and alcohol

Do you have a drugs and alcohol policy in your organisation? If so, does it include pre-employment and random testing?

Section 5: Planning and Procedures

(i) HSE or operations manuals

a) Do you have a company HSE manual (or Operations Manual with relevant sections on HSE) which describes in detail your company approved HSE working practices relating to your work activities? If the answer is YES please attach a copy of supporting documentation.

b) How do you ensure that the working practices and procedures used by your employees on-site are consistently in accordance with your HSE policy objectives and arrangements?

(ii) Equipment control and maintenance

How do you ensure that plant and equipment used within your premises, on-site, or at other locations by your employees are correctly registered, controlled and maintained in a safe working condition?

(iii) Road Safety Management

What arrangements does your company have for combating road and vehicle incidents?

Section 6: Implementation and Performance Monitoring

(i) Management and performance monitoring of work activities

a) What arrangements does your company have for supervision and monitoring of performance?

b) What type of performance criteria are used in your company; give examples

c) What arrangements does your company have for passing on any results and findings of this supervision and monitoring to your:

i) base management

ii) site employees?

(ii) HSE performance achievement awards

Has your company received any award for HSE performance achievement?

(iii) Statutory notifiable incidents /dangerous occurrences

Has your company suffered any statutory notifiable incidents in the last five years (safety, occupational health and environmental)? (Answers with details including dates, country, most frequent types, causes and follow-up preventative measures taken.)

(iv) Improvement requirement and prohibition notices

Has your company suffered any improvement requirement or prohibition notices by the relevant national body, regulatory body for HSE or other enforcing authority or been prosecuted under any HSE legislation in the last five years? (If your answer is YES please give details.)

(v) HSE performance records

a) Have you maintained records of your incidents and HSE performance for the last five years? (If YES, please provide the following: Number of Fatalities, Lost Time Injuries, Lost Workday Cases, Medical Treatment Cases and Restricted Work Day Cases. Also include the Fatal Accident Rate, Lost Time Injury Frequency and Total Recordable Incident Rate for each year. (NOTE: Please include your company definitions of a the above mentioned terms - for clarification refer to the OGP Safety Performance Accident Data Report.)

b) How is health performance recorded?

c) How is environmental performance recorded?

d) How often is HSE performance reviewed? By whom?

(vi) Incident investigation and reporting

a) Who conducts incident investigations?

b) How are the findings following an investigation, or a relevant incident occurring elsewhere, communicated to your employees?

c) Are near miss safety learnings reported?

Section 7: Auditing and Review

(i) Auditing

- a) Do you have a written policy on HSE auditing?

- b) How does this policy specify the standards for auditing (including unsafe act auditing) and the qualifications for auditors?

- c) Do your company HSE Plans include schedules for auditing and what range of auditing is covered?

- d) How is the effectiveness of auditing verified and how does management report and follow up audits?

Section 8: HSE Management - Additional Features

(i) Memberships of Associations

Describe the nature and extent of your company's participation in relevant industry, trade, and governmental organisations?

(ii) Additional features of your HSE management

Does your company have any other HSE features or arrangements not described elsewhere in your response to the questionnaire?

Section 9: Company Specific Information

6.2 APPENDIX 2 – EXAMPLE OF CONTRACTOR PERFORMANCE EVALUATION

ITEM	RATING	COMMENTS
1. TECHNICAL PERFORMANCE		
Knowledge of technical specification		
Construction Planning		
Ability to construct to specification		
Ability to fully understand drawing details		
2. PROGRAM		
Adherence to programme		
Willingness to provide resources		
3. SUPERVISION		
Technical ability		
Organisational ability		
Co-operation		
4. PLANT AND EQUIPMENT		
Adequate for Project		
Well maintained		
Daily pre-start records satisfactory		
Competent operators		
5. PERSONNEL		
Competent and skilled		
Production satisfactory		
Sufficient and effective resources		
Training of personnel effective		
6. SAFETY MANAGEMENT		
Safety Management Plan issued		
Hazards identified and controlled		
JSAs developed and used		
Safe work on site		
Incidents reported and investigated		
PPE adequate and in use		
Accredited Safety Management System (to AS4801)		

ITEM	RATING	COMMENTS
7. QUALITY MANAGEMENT		
Accredited Quality Management System (to ISO 9001)		
Quality Management Plan issued		
ITPs developed and implemented		
Hold/Witness points maintained		
Level of documentation adequate		
NCRs raised and registered as necessary		
Corrective action implementation satisfactory		
MDR collated on-going (if applicable)		
8. ENVIRONMENTAL MANAGEMENT		
Accredited Environmental Management System (to ISO 14001)		
Hazards identified and controlled		
Environmental training provided as necessary		
On site controls adequate		
Events reported and investigated		
9. INDUSTRIAL RELATIONS		
Industrial issues minimised		
Compliance with agreements		
Dispute handling		
10. COMMERCIAL		
Response to variations		
Contract compliance		
Reporting satisfactory		
Contractual attitude		



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