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Integrated Project Delivery model in Canada: What you need to know

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In this Update

- The Canadian Construction Documents Committee (CCDC) is expected to publish a standard form contract for Integrated Project Delivery (IPD) before the end of this year
- What IPD is and the business case for IPD
- Key commercial and legal structures, concepts and processes that would help implement IPD

Before the end of 2018 the Canadian Construction Documents Committee (CCDC) is expected to publish a standard form contract for a relatively new project delivery model called Integrated Project Delivery (IPD). Despite the emergence of standard form IPD contracts almost a decade ago in the United States, the Canadian construction industry appears to have developed a renewed sense of enthusiasm and interest in in relation to IPD over the course of 2018. So this begs the question:

WHAT IS IPD?

The American Institute of Architects (AIA) defines IPD as “a project delivery approach that integrates people, systems, business structures and practices into a process that collaboratively harnesses the talents and insights of all participants to optimize project results, increase value to the owner, reduce waste, and maximize efficiency through all phases of design, fabrication, and construction.” Put differently, IPD is an integrated project delivery system that attempts to align the business interests of all project parties by tying individual success to project success in order to promote efficiency, open communication, sharing of information and joint problem solving. So, why all this fuss about IPD?

WHY IPD?

The business case for IPD from an owner's perspective is that it is supposed to optimize the project constraints of cost, time, quality and other risks. Proponents of IPD believe that in other traditional project delivery models (e.g., design-bid-build or design-build) the optimization of these constraints comes at the sacrifice of others. From the perspective of other project parties like design professionals, contractors and trades, IPD is aimed at increasing efficiency, reducing waste and reducing disputes.

HOW IS IPD IMPLEMENTED?

IPD achieves its goals through the implementation of the following key commercial and legal structures, concepts and processes:

- **Single or interlocked (multi-party) contracts:** IPD may be executed either through a single contract signed by the owner, design professionals, contractor and major trades or an interlocked arrangement where the owner, design professionals and contractor sign a single contract and engage the other major project parties through appropriate IPD service agreements or subcontracts.
- **Early involvement of major project parties:** Early involvement of the contractor and major trades in the design process provides for increased design efficiency and reduces constructability issues.
- **Joint management and collaborative decision making to achieve goals:** Decision making and governance on an IPD project is done collaboratively by a group comprised of individuals representing each party that signs the IPD contract(s) (Contracting Party). This group may or may not be further separated into senior groups and smaller cross-functional teams.
- **Owner costs are not guaranteed:** The owner pays each other Contracting Party their actual costs incurred to complete their respective work on the project, irrespective of the outcome. Other Contracting Parties do not share responsibility to pay for cost overruns.
- **Final profit is pooled and based on project, not individual outcome:** During the first phase of the project:
 - the pool of profit that is to be shared among the Contracting Parties other than the owner is established; and
 - the project objectives and metrics to assess such objectives are defined. A typical metric would be a target cost but metrics can also be tied to schedule, quality or other subjective factors.

At the end of the project, payment of the pooled profit to the other Contracting Parties is determined by the project's success in meeting the identified objectives and metric(s). Linking the shared financial risk and rewards to the project outcome aligns the self-interest of each Contracting Party with the project interest.

- **Claims generally waived and change orders restricted:** Under IPD contract(s) the Contracting Parties generally waive or limit all claims against each other. Examples of claims that might not be waived include intellectual property violations, failure to obtain insurance and wilful default. Furthermore, change orders may be limited to circumstances arising as a result of an owner's request for a scope change or events beyond the influence of any Contracting Party.

A note of caution, before an owner considers using IPD, it must confirm that IPD properly addresses all risks to meet the required commercial, technical and legal expectations for the project.

NEXT STEPS

It will be interesting to see how the foregoing structures, concepts and processes will be implemented in

the new standard form CCDC 30 'Integrated Project Delivery Contract.' Stay tuned to this space for further information and updates regarding the release of the document.

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