

Role of SMM in Construction Industry Procurement Seminar



Presented by: |

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Philosophy of SMM |

- *SMM is a localized document to cater specifically for local custom and practice.*
- *SMM allows for **standardized measurements** to provide a common base for good procurement document.*
- *A good and truly useful procurement document (BQ) should **clearly interpret** the nature of work proposed and the **environment** under which it will be undertaken.*
- *When a contractor can foresee a risk, he should be allowed to price it. By doing this, risks are not taken away from the contractor but much so being **fair** to him.*

Background |



- **UK-** SMM7 , CESMM3 and MESMM
 - **HK** – SMM7 and SMM for bldg elements
 - **Aust** – SMM5
 - **S'pore** – almost similar to HK
 - **M'sia.** – SMM2, CESMM3(UK), MCESMM and ad hoc
 - **Other Asian** – none
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- Indonesia – next
 - Commonwealth Heritage - QS

Reasons and Effects of SMM |

- ***SMM permit greater standardization of BQ format – assist in pricing***
- *BQ based on SMM are more **consistent**, work adequately itemised and described to include cost-significant items with consistent level of detail*
- *Coding system permit **estimating, valuation, purchasing and cost control to use the same numerical references** , thus simplify computerised data processing.*

Reasons and Effects of SMM |

1. *All tenders submitted are strictly comparable.*
 2. *Contractors are saved costly exercise.*
 3. *Fair and convenient basis for valuing certified stage payments, variations and adj. of final acc.*
 4. *Data for cost analyses*
- Recent dev. **Design and construct procurement**, which transfer more risk to the Contractor
 - **Majority of Contractors still use unit rate (in-house or outside consultants).**

Benefits of SMM |

Without SMM - the analysis, checking and comparison of priced BQ involve a tedious work before any recommendations can be made.

However with the detail rules in the SMM the majority of industry players now realised benefits of SMM to be good, practical and workable both at the pre-tender and post-tender stage of projects.

Issues on Procurements without SMM |

- 1. Increased v.o and claims*
- 2. Difficult to justify the best offer*
- 3. Difficult to manage the contract finance*
- 4. Risk is higher to both parties*

All these will lead to unnecessary disputes, loss of productivity and resources as well as delays.

Current practices in M'sia |

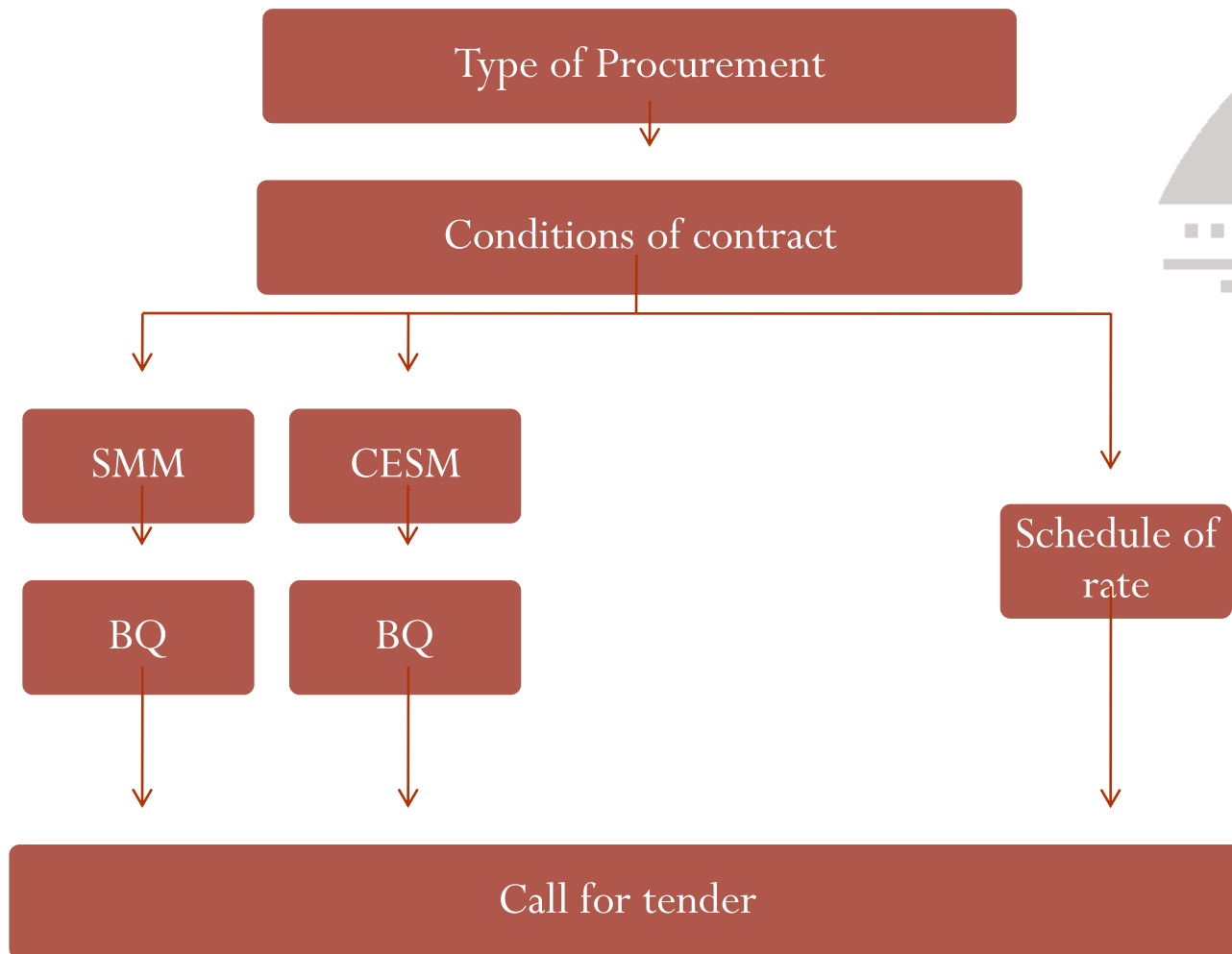
Building works – SMM1 and SMM2 (2000)

Civil engineering works – CESMM3 (UK)

MCESMM (2003)

Ad-hoc basis

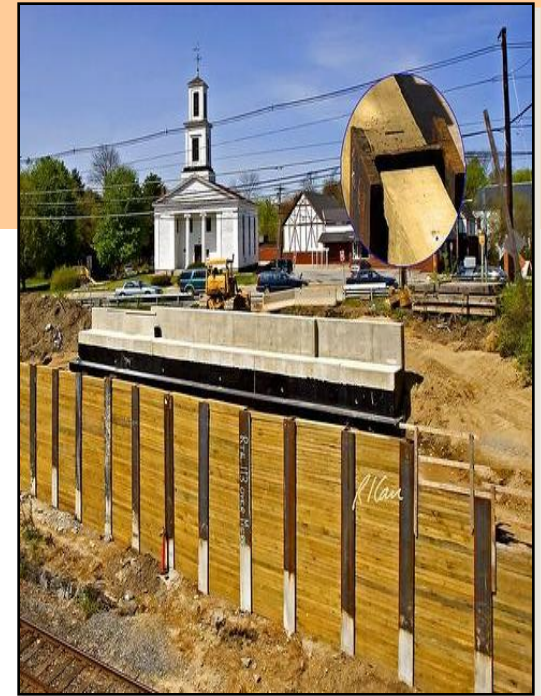
Which SMM?



Why not popular? |

SMM2 and MCESSM

- 1. No regulating and enforcement body***
 - 2. Reluctance to change***
 - 3. Very slow learning curve***
 - 4. Attitude***
 - 5. Clients insufficient awareness of the SMM and its' beneficial effects on contract and pricing***
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Research on CESMM(UK) |

Succeeded in producing BQ which have more realistic relationship with both the methods of working and the cost of carrying out the work.

Easier to compile

More beneficial to the contractor

Better reflection the costs involved

Serve other purpose more effectively

- ***cost control across the works programme***
- ***Managements of contract***

Reasons for SMM revision |

- 1. Standardised / improve the layout and contents of BQ**
- 2. Provide systematic structure of bills items leading to more *uniform itemization and description***
- 3. To provide a more *sensitive and balance description* of the value of work in a contract**
- 4. To take account of the *new techniques* of construction and new *condition of contract***
- 5. Code numbers adopted for *easier identification* of work classification and *computerization*.**
- 6. *Addition* of new work classification (when necessary)**

The best practice |

- 1. Treat SMMs as a *living documents*.**
- 2. MCE SMM should be put into practice by the Malaysian Industry players to be further improved.**

WHY?

Liberalization (home ground defense)

Rule of law

Way forward |

1. Service sector liberalization in 2012 plan of action:

- **local SMMs *mandatory* ?**
- **Regulate the use of *Malaysian SMMs***

2. SMM for M&E works

3. Integration of SMMs

4. RICS: International SMM (PAQS: Asia-Pacific region)

Comparison of CESMM and SMM

	CIVIL WORKS	BLDG. WORKS
1. Construction Method	Less variety of materials but in big quantity	Variety of materials in small quantity
2. Standard method of measurements	CESMM (CIDB)	SMM2 (ISM)
3. Detail of work	Mostly decided on site	More precise during tender stage
4. Work Section	Measurements are simplified (built-up rate)	More work sections and measurements
5. Detail of work.	Less detail	Very detail work involve
6. Re measurements	Most items are re-measured on site	Nearly no re-measurements
7. BQ description	Very brief, always refer to drawing and specification	Descriptions are very detail
8. Factors affecting Price Rate	Location and method of doing the work	Location
9. Nature of work	More risk and uncertainty	More predictable
10. BQ	Contractor to insert MRC	Not allowed to alter
11. Preparatory works	Class A: General item	Preliminaries
12. PC and Provisional Sum	Group in Class A	Allowed in the related element
13. Method of Measurements	Extra over items are not allowed	Extra over items used
14. BQ presentation	Divided into Parts	Divided into Bills
15. Computer usage	More Computer friendly	Possible

*Thank You
&
Best Wishes*