

Alliance Contracting for Local Government Engineering Projects

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Outline

- Overview of alliance process
- Research methodology
- Results
- Conclusion

Overview of alliance process

- Integrated high performance team
- Alignment of objectives
- Maximise performance
- No fault, blame, dispute
- Minimise risk
- Reduce cost
- Achieve outstanding results
- Increasing use in contracting

Alliance principles

Common goals	Team Effort
Working together	Measurement
Partners	Stretch targets
Risk and reward	Trust
Sharing resources	Desire to achieve
Complimentary skills	Long term focus

Suitability for project delivery

- Need to manage risks
- Traditional risk transfer approach not appropriate
- Elements of unknown
- Tight delivery constraints
- Utilise expertise of both parties
- Better suited for more complex projects

Alliance success factors

- Commitment by both parties
- Mutual objectives
- Win/win approach
- Problems resolved at lowest possible level
- Continuous improvement
- Commitment to learn
- Understanding of effort involved

A successful alliance project

- Maroochy Shire Council
- Lander's Shute water plant upgrade
- Total initial cost \$32 M
- 6 weeks ahead of schedule
- \$3 M savings



Research methodology

- Five projects selected
- Local governments and alliance partners
- Seven performance criteria
- Questionnaire approach
- Direct answer and discussion questions
- Results analysed – tables and radar charts
- Conclusions developed

The seven performance criteria

- Costs
- Relationships
- Quality
- Continuous improvement
- Safety
- Administration
- Lessons learnt

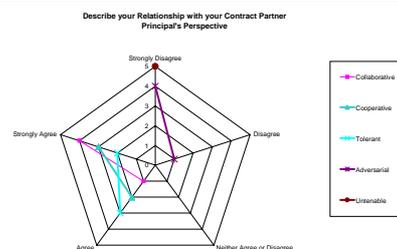
Results

- Improved costs
- Openness, teamwork, honesty
- Quality of service good
- A number of innovations
- Safety at normal good standard
- Principal's administration cost not increased – some increase for contractors
- All would use relationship contracting again

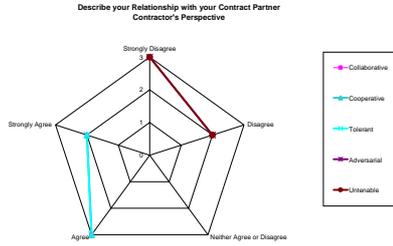
Examples of innovations

- Saving of \$3 million – eliminating pumping station
- 20% reduction of delivery cost through team based approach
- Through combining resources of principal and contractor, one project yielded:
 - \$20,000 p.a. profit
 - Employment of 20 disabled people

Example radar chart - relationship - principal perspective



Example radar chart - relationship - contractor perspective



Decision Tool

- Risk management approach
- Assists decision making
- Qualitative matrix analysis approach
- What can happen and how?
- Performance criteria assessed on basis of:
 - operational
 - technical
 - financial
 - legal
 - social

Risk Management Matrix

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain	Moderate 8	High 13	Extreme 20	Extreme 22	Extreme 25
Likely	Low 4	Moderate 10	High 15	Extreme 21	Extreme 24
Possible	Low 3	Moderate 9	High 14	High 17	Extreme 23
Unlikely	Low 2	Low 6	Moderate 11	High 16	High 19
Rare	Low 1	Low 5	Low 7	Moderate 12	High 18

Conclusion

- Project alliances are being used by local government
- Delivering good results
- Several innovations
- Participants would use alliancing again
- Lessons were learnt
- Risk management assessment tool
- Further research, testing and development