Infrastructure Projects

Alliancing in Infrastructure Projects
Alliancing Principles

• Joint management structure with collective responsibility for performance with an equitable sharing of risk and opportunity

• Risk and opportunity sharing - joint development of solution, target cost and risks

• Target cost with pain/gain (capped pain, uncapped gain)

• Commitment to ‘no disputes’ – avoidance of a ‘blame culture’

• Best for Project’ unanimous decision-making processes

• Fully reimbursable – all costs incurred will be recoverable

• Majority of risks will be owned & managed by the Alliance

• Open book documentation and reporting
When should Alliancing be deployed?

- Alliances are a complex commercial transaction
- Improve construction project performance by balancing risk between client, contractors and designers (and TOCs?)
- Consider alliances where the following factors are ‘high’:
  - Risk/Complexity/Uncertainty/Interdependence
- Different skills required – e.g. new technology
- Risks that cannot be adequately defined prior to tendering
- The cost of transferring risk is prohibitive
- A collective approach to assessing and managing risk will produce a better outcome
Risks associated with Alliencing

- Client capability to deal with project complexity and alliance delivery method
- Demonstrating Value for Money
- Client’s exposure to risk – alliance partners’ pain share capped
- ‘Soft’ Target Cost that inflates the cost of the project
- Risk allocation between alliance and retained risks
- Legal recourse is constrained
- Time commitment of senior personnel
Two forms of agreement have been developed

- **Overarching alliance agreement with underlying ‘works’ contracts:** This reflects the basis upon which previous rail industry alliance agreements operated but revised to incorporate some of the recognised issues.

- **Stand alone alliance agreement:** This reflects the latest alliance thinking and perceived best practice developed in Australia.

- The selection of agreement will depend upon the particulars of each project.
Alliance Procurement Process

• The form of alliance agreement will influence the procurement process

• Options for formation of multi-party alliances:
  – Pre-forming where the market develops alliances to bid for specific multi-disciplinary project opportunities
  – NR selects partners from separate functional bidders (e.g. Track, Signalling Civils etc.) and forms the alliance

• Redesigning the alliance tender evaluation process to focus on finding the right partners first and then developing cost proposals

• Appointment of alliance partners at an earlier stage in the project life cycle will require additional process development
Current Alliance Projects

- Hitchin Grade Separation - *Hochtief*
- North Doncaster Chord - *Morgan Sindall*
- Nottingham Hub - *Vinci*
- GNCE Capacity Works - *Babcock/Carillion/Invensys*
- Finsbury Park to Alexandra Palace – *Balfour Beatty*
- Projects for which Alliance strategies have been developed:
  - Edinburgh to Glasgow Improvements Programme
  - Stafford Area Improvement Project
  - GWML Electrification
  - ECML Power Supply Upgrade
Nottingham Hub Project – Alliance

Scope:

- Main Concourse refurbishment
- Platform works
- South Concourse construction

Tripartite alliance – East Midland Trains, Network Rail and Vinci:

- MoU between EMT and NR
- Two joint target cost contracts (EMT - NR; NR - Vinci)
- Joint Project Board & Integrated Project Team

Key Benefits:

- Project outturn reduced 5% (circa £1m) with potential further savings of 5 -10% (circa £1-2m) through joint value engineering
- TOC and contractor fully aligned in reducing project cost
- 35 week (1/3) reduction in construction duration
Stafford Area Improvements Programme

- The rail industry has identified lack of collaboration as a major barrier to efficiency and greater value for money

- The Alliance procurement model represents the most sophisticated form of collaborative working within IP

- Recognising the limitations of previous alliances we have sought to design a new alliance procurement process and form of contract to create and sustain alignment and performance

- The SAIP represents the ‘pathfinder’ project for many of the new processes developed to support alliancing

- A key element of this is the inclusion of a new collaborative assessment model
Stafford Area Improvement Programme

The Project

• A multi-disciplinary rail infrastructure enhancement scheme
• Value – approx £250m
• Subject to TWA
• WCML – critical rail artery
• Significant risk profile
• High level of interdependency between different suppliers

The Strategy

• Alliance procurement strategy developed to align parties, manage risk and create incentives
• Pre-formed alliances
• New form of bespoke alliance agreement
• Two stage tender process
• Significantly reduced Commercial weighting
Partner Selection - Two Stage ITT Process

Form 3+ Alliances

ITT Stage 1
- Issue ITT Docs
- Written submissions & workshops
- Evaluation
  - 50% Technical
  - 30% Behavioural
  - 20% HSE
- Select two Alliances for stage 2

ITT Stage 2
- Develop TC with two Alliances
- Select one Alliance based on:
  - 70% c/f stage 1 score
  - 30% commercial
- Develop PAA

Final negotiation with preferred Alliance

Go Live

Contract
- Corporate acceptance
- Contract signature
Collaborative Profile

Technical
- Organisation
- Threat & Opportunity
- Project Controls
- Supply Chain Management
- Engineering Management
- Construction Methodology
- Health & Safety
- Quality
- Environmental & Sustainability

Behavioural
- Demonstrating inspirational and strong leadership
- Developing and maintaining an environment to optimise collaborative opportunities.
- Demonstrating transparency, openness and honesty
- Forming an integrated team based on trust
- Building collaborative relationships across a range of Stakeholders
- Demonstrating a high performance collaborative culture
Questions?