Title

“Does it always have to be this way?”

(Why are the Dutch so good at living in swamps)

Mark Bendelow
“Does it always have to be this way?”

Question : How many projects....

1. Go over budget
2. Come in late
3. Face endless debates on contract and risk allocation

Answer : Too many.
Why is this? - Budget

1. Budgets are often unrealistic to start with

2. They are based on pricing in competitive tender

i.e. Another form of gambling – who makes the biggest mistake(s) wins the project
Why is this? – Programme / Schedule

1. Competitive tender based on programme

2. Who takes the most risk wins?

In programming this means there are more uncertainties built in.
Why is this? – Wasted management energy

1. The focus is on winning, but the goal is not clearly understood
   “Busy fighting alligators, forgot about the swamp”

2. The people who negotiate the contracts do not deliver them

3. People do not understand the document

4. People do not understand each other

5. Before, after and during projects huge amounts on management
time is wasted on disputes and contractual debates.
Why are the Dutch so good at living in swamps

- Because their lives depend on it, they know the warning signs. (Zeeland 1953)
Why are the Dutch so good at living in swamps

- They build up, out of the water
- They make space for the people, they make space for the water.
Why are the Dutch so good at living in swamps

- They are ingenious and admire new ideas
Why are the Dutch so good at living in swamps

- They need to trust each other
Why are the Dutch so good at living in swamps

- They love their swamp.
Why are the Dutch so good at living in swamps

- There are no alligators
The point is, the two “approaches” are opposites.

In extremis the Dutch may say, *to achieve really important things understand what is really important.*

- Trust
- Innovation
- Teamwork, commitment
- Some commercial tension
Put in another way, perhaps as the 7 Pillars of Partnering (Bennett & Jaynes 1998)

1. Strategy
2. Membership
3. Equity
4. Integration
5. Benchmarks
6. Project processes
7. Feedback
Back then.....

- UK Government said, Government spending should be an example for industry

- Perception, it would take private industry longer to come to the party.
● Partnering became a discredited term.

Why? Poor processes (great intentiona, poor delivery), the backlash.

● Was reinvented as Alliancing.

Dr. Sai On Cheung; City University of Hong Kong.

“The lack of formal follow-up is the primary cause of failed partnered projects”.

“The partnering process will only produce positive results if project team members are willing to commit themselves to it throughout the life of the project.

In short, when the going gets tough.....
1. Latham Report: Re-thinking Construction

2. Fast payment resolution legislation

3. Ready Construction Forum ("think tank")

4. Creation of the NEC Terms & Conditions

5. Mandatory use of NEC and "partnering/alliancing" by Government (Commitment!)
- UK Utilities e.g. Gas in Southern England
- Tranche 1: £1000 M over 10 years
- Target cost contracts in an alliance
- 50/50 Pain /Gain share, NEC Option C.
- UK Utilities, e.g. Gas in Southern England
- Tranche 2: £1000 M over 10 years
- Target cost control in an alliance
- 20/80 Pain /Gain plus penalties, NEC3 Option C heavily amended.
- Is there “Equity” in this?
- Almost all Utilities in the UK are using NEC3 T&C’s, and alliancing.
Almost 10 years on, where are we now?

- **UK**: CTRL ⇒ Highways ⇒ Rail ⇒ CrossRail ⇒ H2S

- **USA**: California . CAGov  Caltrans.

- **Canada**: Alberta Transport
First Generation Partnering – Did it Work

- Project based
- Project team agrees mutual objectives
- Agrees on decision making system
- Areas of continuous improvement

* Bennett & Jayes (1998), UK, CIB-WG12

- Provided cost savings of 30%
- Reduced production times by 40%
Second Generation Partnering

- A group of firms working together
- A series of projects for a major client
- Client selects consultants and contractors to work together on a long term basis
- A joint strategic team of all “partners” develop and guide a strategy
- Multi-disciplinary sub-groups look at key issues to improve performance, separate from projects
- Project teams implement the “thought through” ideas
- Outcome is fed back to the Strategic Team

* Bennett & Jayes (1998) reported

- Cost savings of 40%
- Time savings of 50%
Second Generation Partnering – Did it Work, Example

Example. Water Company in Eastern England (all Water Co’s are expected to apply best practice).

- 15 year spend on both capital and maintenance items involving
  - Client, Multiple Consultants, Multiple Contractors, Key Suppliers/Subbies all as one Strategic Team
- 4 Separate Alliances, total spend > £ 9 BN
- 5 year intervals ~ £ 430 M per Alliance

The Contractors and Consultants only will receive net profit when the Client’s objectives have been met
• Large complex projects benefit from an integrated approach.
• It is hard work, not soft words. It needs a process.
• Learning lessons needs opportunities.
• Longer term relationships and works programmes provide these opportunities.
• If Governments can do it, entrepreneurial private businesses can do it.