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Alliancing model on track to deliver best outcomes - RAILWAYS: SPECIAL REPORT

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AUSTRALIA is leading the world in embracing **alliancing** as the model for delivering complex rail projects. As the alternative to traditional design-and-contract (D&C) delivery, **alliancing** can deliver more creative outcomes, superior technology and fewer contractual disputes.

Its "co-operative model" contrasts favourably with the prescribed outcomes of the D&C process that often lead to cost over-runs, outdated technology and protracted legal disputes. Industry and government, tiring of the adversarial nature of D&C, have started to embrace the greater certainty of **alliancing** and there are almost \$10 billion worth of rail infrastructure projects in Australia that are being developed in the "open book" process.

These include:

- * NSW RailCorp's \$1.2 billion Rail Program Alliance;
- * ARTC's \$1 billion South Improvement and North Improvement alliances;
- * TIDC's \$1.2 billion Clearways Project; and
- * Queensland Rail's \$7 billion program of rail infrastructure works.

A significant acceptance of **alliancing** in Australia came recently when NSW RailCorp announced its Rail Program Alliance (RPA). Aimed at creating "a technology-oriented alliance", RPA will become the central process in the massive upgrading of RailCorp's signalling and electrical systems over Australia's largest metropolitan rail network.

So why has **alliancing** finally captured the imagination of infrastructure developers?

At its core, **alliancing** has built-in flexibility that allows technology to be continually upgraded during the life of project, ensuring a final product as "cutting-edge" as possible given budget and development programs.

New skills and technologies comes at a very high cost. By working with experts in the alliance, all contractors have immediate exposure to the latest technology and techniques to ensure the best and smartest outcomes for a project.

This gives **alliancing** a substantial advantage over D&C, which is fixed to the technology available at the

beginning of a project, as well as prescribed outcomes of the tender processes that may not necessarily suit the project in hand.

The key to **alliancing** is that an expert project team is created, with members appointed from the various companies involved who can cross from project to project and share knowledge and experience in a team environment.

Alliancing is a powerful, creative tool for providing cost-effective outcomes, reduced litigation and better long-term results for large-scale complex or long-term projects -- in contrast to most D&C delivery models, which are adversarial by nature.

Under D&C, the process of construction specification and costs has already been determined by an estimator, and tenders conform to a set process that can lead to litigation and dispute due to inaccuracies or omissions in the documentation. Under the D&C process problems are often discovered midway through a project, which can lead to substantial cost blowouts, delays and disputes.

By comparison, **alliancing** involves all parties in "value engineering" to create a solution for a project based on time and cost structures laid down from day one and agreed to by all parties from the outset.

A key objective in the development of an alliance team is the removal of the tendering process from the relationship: this is also viewed as one of the more controversial elements of **alliancing**.

Whilst perceived as a "blank cheque" process by critics, this could not be further from the truth. **Alliancing** actually demands working to a pre-determined budget in a responsive and flexible manner, and invokes the need to operate under strict, jointly agreed and mutually beneficial arrangements, using shared information to avoid conflict and delays.

Correctly structured, alliance negotiations on price, terms and conditions are built around established outcomes and will often lead to projects coming in under budget.

A pre-requisite for successful **alliancing** is highly qualified people making considered choices, guided by clear financial goals, about what is best for a project. This means that successful alliances tend to roll on to other projects as systems are co-ordinated and methods embraced into a cohesive process.

Whilst an **alliancing** approach is not relevant to every project, the maintenance of successful partnerships over the long term can drive many benefits and prove to be fruitful for several decades.

In summary, **alliancing** is not just a good way of operating a project but of deciding if a project is feasible, either financially or technically. The process also helps avoid cost over-runs often associated with traditional tendering and sets a long-term structure that provides the best outcomes in terms of technology, cost and time.

This is why **alliancing** is being embraced across Australia and our tradition of working co-operatively on major projects is setting world standards in successful outcomes.

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