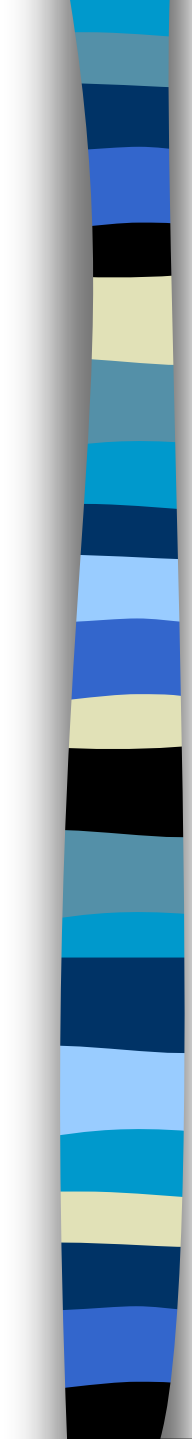


Relationship Contracting: The Main Roads' Perspective



Alan McLennan

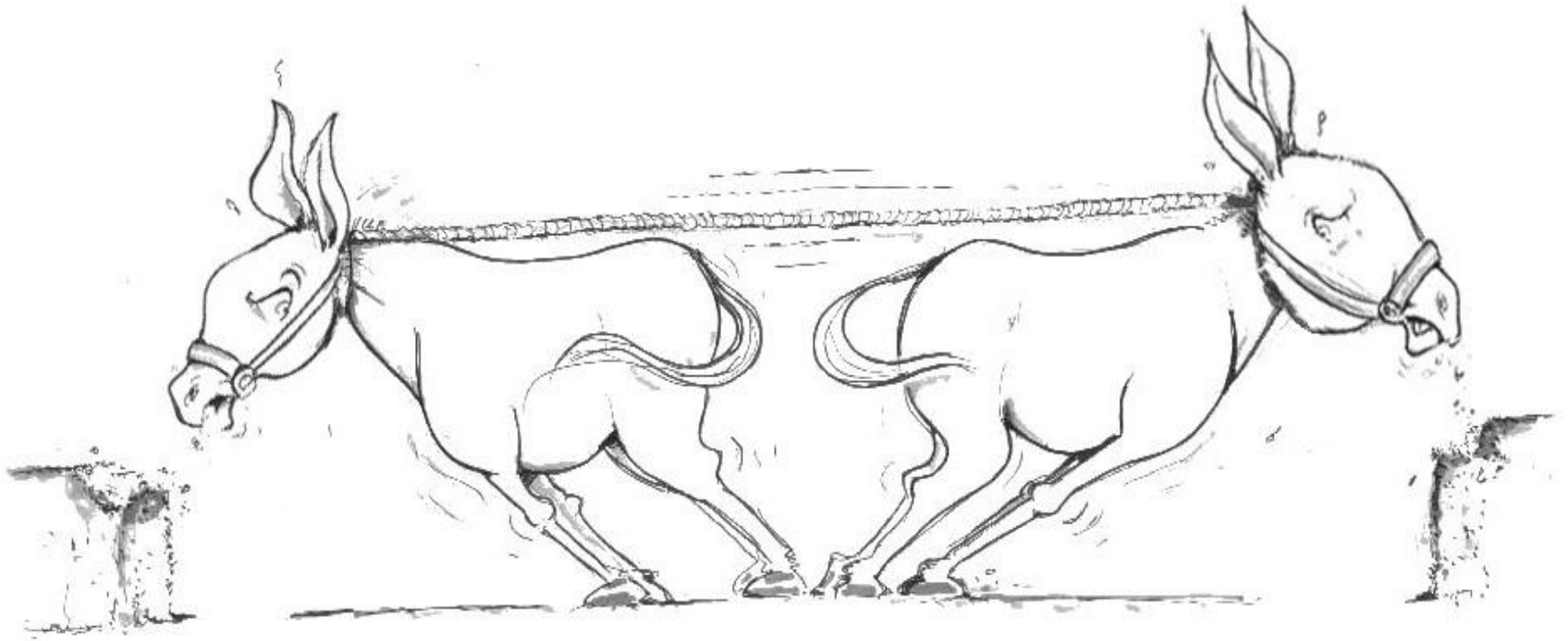
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- Why is Relationship Contracting Topical?
 - Success with full Alliance Contracts e.g. Norman River Bridge
 - Alliance “principles” helpful in internal Main Roads Projects.
 - Success of relationship management on the Pacific Motorway.

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- Why do we need to develop Relationship Contracting?
 - Industry reaction to contracting “failures”:
 - ACA “Relationship Contracting” proposals
 - Construction Queensland – a more equitable form of contract
 - Main Roads “Failures”:
 - Cost over runs
 - Difficulty in managing the Roads Program
 - Poor and unacceptable quality
 - Poor relations, blame culture
 - Waste of emotional energy in adversarial conflicts
 - There has to be a better way.



■ What is the Present State?

- Main Roads history of success in Contract Management.
- “One size fits all” type of Contract OK for normal road projects, with single objective.
- Recent years, larger projects becoming very complex:
 - community involvement
 - political pressures
 - native title
 - environmental issues
 - traffic management etc. etc.
- Now, poor alignment between inflexible AS2124 contract and complex projects.
- Traditional contracts lead to separation and adversarial behaviours.





■ Reflections of Pacific Motorway

- Largest project ever undertaken by Main Roads
 - 43km : 8 and 6 lanes
 - \$750m
 - “World Class”
 - “traditional” contracting
- Project is extremely complex
 - 4 years from conception
 - 85,000 vehicles per day
 - Interaction with community
 - Difficult site conditions
 - Major service relocations etc.
- Contractual relations became stressed
 - Variations, claims
 - Self-serving behaviours
 - Adversarial relations
 - Quality issues, under strain of time, cost, quality equation



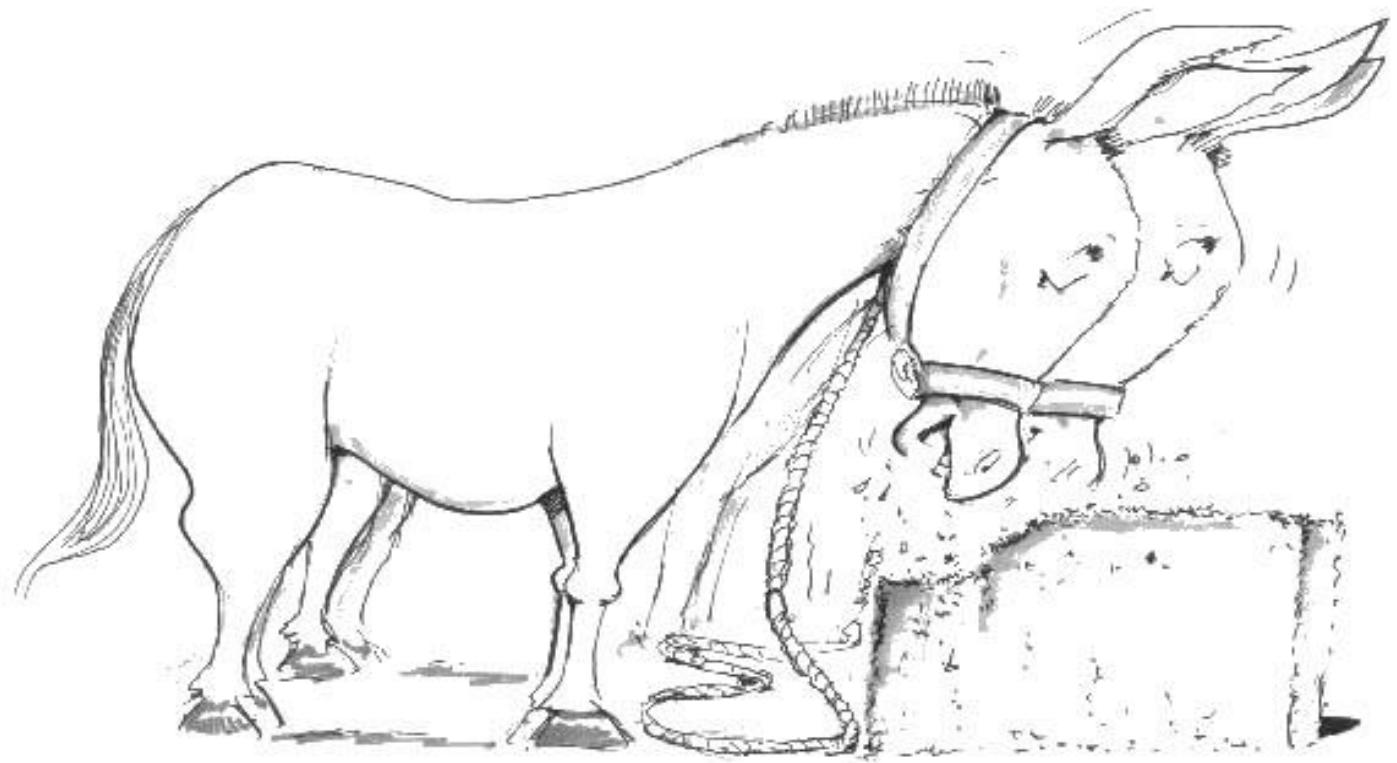
■ Reflections of Pacific Motorway (cont.)

- Respond by creating Relationship Management Unit
 - Separate to Contract
 - Re-establish supremacy of project goals
 - Engender commitment to goals
 - Focus on delivery
 - Strengthen relationships first
- Relationship Processes
 - Partnering agreements, charters
 - Constant follow-up
- Outcomes
 - Provided essential forum to relate and negotiate
 - Maintained central focus on achievement
 - Regular evaluation demonstrated steady improvement in relations
 - On-going role in resolution of issues
 - Fostered 2 major contractual changes i.e. transitions to alliances



- A possible Future State

- Project performance will be measured in 4 quadrants of Balanced Scorecard.
- Success will include:
 - excellence in all IMP objectives
 - win:win:win outcomes
 - enduring relations
 - improvement and learning
- Relationship Contracting Form:
 - relevant to a wide range of projects
 - suitable for complex projects
 - flexible
 - satisfies many objectives simultaneously
 - co-operative relationships





■ Features of Relationship Contracts

- Mutual commitment to project vision, mission and objectives.
- Success measured across several objectives.
- Win:win:win.
- Balanced application of relationship management and project management.
- Innovative contractual arrangements.
- Client leadership; informed buyer.
- Recognition and rewards.



- Application in Main Roads

- Relationship Contracting applies across spectrum
- Alliance Contracts for:
 - very complex projects
 - many stakeholders
 - many objectives, e.g. community
- Relationship Contracts for:
 - moderately complex
 - several objectives
 - range of constraints
- Traditional Contracting for:
 - straight-forward projects
 - contractors well experienced



- A Special Relationship Contract Package for Main Roads:

- Key elements:

- Alignment between contract provisions and relationship processes
- Partnering process - a co-operative single team.
- Relationship skills, attitudes and values.
- Review, evaluate, improve.



■ Conclusions

- Relationship Contracting is one way to address contract “failures”.
- Traditional contracts not best suited for complex, multi-objective projects.
- Relationship and Alliance Contracting have potential for Main Roads.
- A flexible form of Relationship Contracting is being developed.
- Pilot projects will be used in development.
- Concepts apply equally to Design and Planning Contracts.