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Project Alliancing – a blessing or a curse for consulting engineers?

Australia is already leading the world in the use of “alliance contracting” for the delivery of complex projects, especially public infrastructure. Yet, far from passing into history as another management fad, the use of alliancing looks set to explode in the next few years in Australia. For a detailed introduction to the principles and practices of project alliancing see Ross, J. (2003) *Introduction to Project Alliancing*. [Available for download from www.pci-aus.com.]

The overwhelming majority of project alliances completed to date have reported very good to exceptional outcomes – in both cost and non-financial key result areas, although there is still some debate as to how alliances can demonstrate convincingly that they deliver “value for money” in the absence of direct price competition.

The benefits reported by designer participants include:

- more intimate and effective involvement in key decisions – not just related to design matters but all key aspects of the project;
- greater recognition of designers' skills and capabilities;
- freedom to innovate without fear of blame;
- accelerated development of leadership and management skills at all levels, and
- greatly increased levels of staff satisfaction.

Although the underlying premise of alliancing is simple – align commercial interests and form an integrated team – the successful practice of alliancing is far from simple and requires advanced leadership skills based on a deep understanding of human behaviour in a project environment. There are significant risks and downsides with alliancing that need to be understood and managed.

From a designer perspective some of the main concerns include:

- high “sunk” cost of winning alliance projects;
- high demand on senior management time;
- complexity of open-book compensation arrangements;
- requirement to put significant “skin in the game” to earn the right to be a full participant;
- loss of access to conventional professional indemnity insurance (which cannot be triggered because liability between the participants is precluded under a pure alliance), and
- loss of key staff who find they are no longer sufficiently stimulated when they come back to the home office after a successful alliance.

Sydney Water pioneered the use of alliancing for public sector projects in the late 90s. Since then local and state government agencies in all states have used alliancing to varying degrees. While the use of pure alliancing for delivery of capital projects has not been as extensive in the private sector, the emerging critical shortage of resources is likely to be the catalyst for a huge increase in the use of alliancing for private sector projects. This shift towards alliancing is being driven by the recognition by many owners that in times of critical resource shortage price competition no longer provides assurance of value for money and in some cases a perception that an alliance may be the only way to secure the resources to deliver the project. Farsighted design firms will use these unusual times to develop long-term business relationships based on openness and trust. Alliance contracting provides the perfect opportunity to do this but also brings the risk of seriously damaging relationships and reputations if not performed well and conducted with absolute integrity.