

THE NATIONAL MUSEUM PROJECT: ALLIANCING IN THE WORKPLACE

Michael Thompson, RJ Peters, KD Hampson and DHT Walker
Clayton Utz

The concept of project alliances will be familiar to many in the construction industry, especially those involved in engineering fields.

But the new National Museum of Australia has broken new ground and not only because it seems to have been the first building project in Australia to adopt a project alliancing framework.

As in other alliance projects, there has been a sharing of risks and rewards between the parties to the alliance: the contractors and consultants (Bovis Lend Lease, Tyco, Honeywell, Ashton Raggatt McDougall Architects, Robert Peck van Hartel Trethowan Architects and Anway Exhibition Design) and the client (the Commonwealth Department of Communications, Information Technology and the Arts (DOCITA)).

And as usual, the project's contracts set out key performance indicators for time, cost, design integrity and quality as the basis for its painshare/gainshare arrangements.

The alliance members have all had strong financial incentives, under the project's contracts, to realise or exceed the project's goals. Equally, all have been exposed to the risk of losses if the alliance under-performed.

But in this case the alliance leadership team has gone further. The alliance members were keen, right from the outset, to see the alliancing philosophy extended to the workforce on the site.

The result has been an innovative and successful reward sharing project agreement, covering all construction workers on the project, including those working for subcontractors.

This agreement could well be a useful model for other building projects in the future, even when an alliance structure is not

adopted for the other aspects of project delivery.

More important than the agreement itself, perhaps, is the fact that by adopting an alliance approach to the development of the project agreement, the parties have been able to achieve a responsible and responsive working environment, with a positive workplace culture and strong incentives for technological, managerial and workforce innovation.

NATIONAL CODE OF PRACTICE CONSIDERATIONS

The context for these successes was a difficult one.

As a Commonwealth Government project, the National Museum project had to comply with the *National Code of Practice for the Construction Industry*, which has been applied to all Commonwealth-funded projects since 22 September 1997.

This Code, supported by Industry Guidelines setting out the Government's industrial relations requirements and Implementation Guidelines for Government agencies interpreting the Code, essentially reflects the key principles of the *Workplace Relations Act 1996* (Cth).

The former Minister for Workplace Relations, Peter Reith, has described the Code's objectives as being to provide practical reinforcement to the principle of freedom of association and shift the emphasis of workplace relations on construction sites away from project or industry-wide outcomes towards an enterprise-based approach.

Under the Code, DOCITA, as a Commonwealth agency, was not allowed to agree to a project agreement for the National Museum project unless there was a demonstrable benefit to the Commonwealth.

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Accordingly, it insisted on a process that would demonstrate how any bonus or over-award payments would improve productivity.

To add to the challenges, the building unions were (and are) strongly opposed to the Code, refusing to recognise it and quite aggressively opposing its implementation. The Building Trade Group is mounting a legal challenge to the Code, and the CFMEU has claimed in the Federal Court that the Employment Advocate has acted beyond his powers in enforcing the Code.

At first glance, then, it was hardly a climate for a successful and mutually productive industrial agreement.

But the project's alliance leadership team believed that if they worked with the unions they could produce an agreement which would satisfy all the parties and fully comply with the Code.

NEGOTIATIONS

In December 1998 Bovis Lend Lease, representing the alliance, submitted a *Workplace Relations Discussion Paper* to DOCITA, outlining the need for the agreement and its possible benefits to DOCITA and the Commonwealth. Attached to this paper was a *Statement of Principles: How we are going to work together*.

DOCITA responded by approving discussions with the unions on an agreement under which remuneration would be linked to the achievement of identified benefits.

According to the alliance's project manager, the unions were keen to negotiate. They showed a clear understanding not only of their members' concerns, but also of how a project alliance approach could benefit their members and the industry generally.

The negotiations extended for some 12 months, but there was no disputation and a considerable amount of trust and respect was built up between the parties. This proved crucial in the establishment and successful implementation of the final agreement.

During these negotiations the alliance team also worked closely with DOCITA, which discussed particular issues with the Department of Employment, Workplace Relations and Small Business to ensure that any agreement would be acceptable to the Commonwealth Government.

THE PROJECT AGREEMENT

The final structure of the agreement was broadly analogous to the alliance project contracts' performance provisions, with a series of performance indicators.

In this case, however, the performance components being assessed were workmanship, safety, environment, workplace relations and program.

Throughout the project the performance of employees has been measured and scored against agreed benchmarks for each of these five components.

These assessments have been carried out by a panel comprising an alliance representative, a subcontractor representative, an employee representative, a subcontractor employee representative and an independent.

Safety performances, for example, have been scored under a scale which ranked performances as poor (-10 points) if average weekly site safety meter scores fell below 60%, business as usual (0 points) if the site safety meter scores fell between 60% and 80% and outstanding (+10 points) if the site

safety meter scores reached or exceeded 95%.

The scores for each of the five categories have then been weighted, according to an agreed formula; and added to give overall performance scores.

An excellence allowance of an extra \$1.75 per hour was payable if a 100% overall performance score were achieved.

This allowance was reduced to \$1.40 per hour for an 80% performance score, 88 cents per hour for 50% and zero for 0%.

In this way the project agreement has provided all employees with a gainshare equivalent of the gainshare/painshare approach of the project's alliance structure.

The composition of the assessment team, the rationales for the measures used and the application of these measures were all agreed, and the processes and decisions have been as transparent and objective as humanly possible.

The result — as desired by all concerned — has been win-win. The employees have reaped extra financial benefits and enjoyed a responsible and responsive work environment, while the project's alliance team, including the client, have gained the benefits of a sound and innovative work culture and, at the bottom line, significantly improved productivity.

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