

Integrated project deliveries – Alliance

Peter Molin, Ramboll
August 24, 2023

RAMBOLL

Bright ideas.
Sustainable change.

RAMBOLL



Contents

1. Why alliancing?
2. Procurement and the contract
3. The commercial model
4. Decision making, risk and change management
5. Roles and organisation

Why alliancing?

Terms and background

Integrated project delivery (IPD), relational contracting, integrated implementation, collaborative implementation, collaboration model, joint liability model,...

Integrated Project Delivery (IPD)

- developed in the US in hospital construction (Shutter Health. etc.)
- focus on people
- Utilizing the Lean-philosophy

In Finland, the Australian model is used, today in over 90 projects

- the model is copied and translated from the Australian agreement, which is modified and adapted for each project
- Senate Properties has its own slightly different alliance model (top project alliance)
- new standard alliancing contract documents were published in June 2020 (Rakennustiето)
- Other European countries are following suit

Project Alliance - background

- first used in the North Sea oil refining industry (BP)
- developed and most used in Australia (> 400 projects)
- the most advanced integrated project implementation
- Deutsche Bahn is taking it into use in some 10 projects
- Port of Hamburg has tested the model in a complex railway bridge -project

Why alliancing?



In order to drive innovation



To increase productivity; continuous improvement/Lean construction



To manage risks and possibilities jointly for the best for the project

Three main points



One joint contract including the commercial model

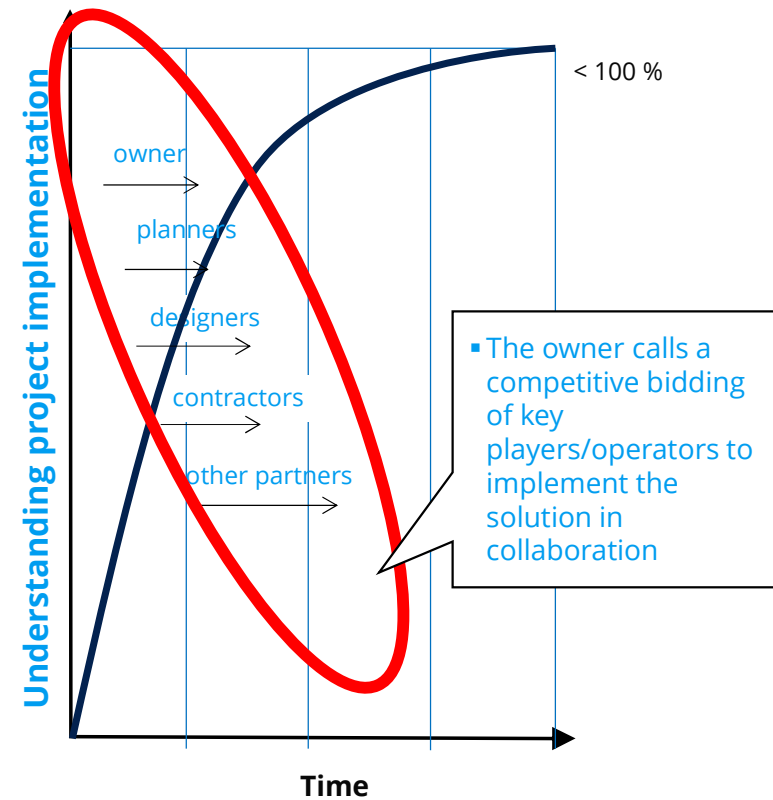
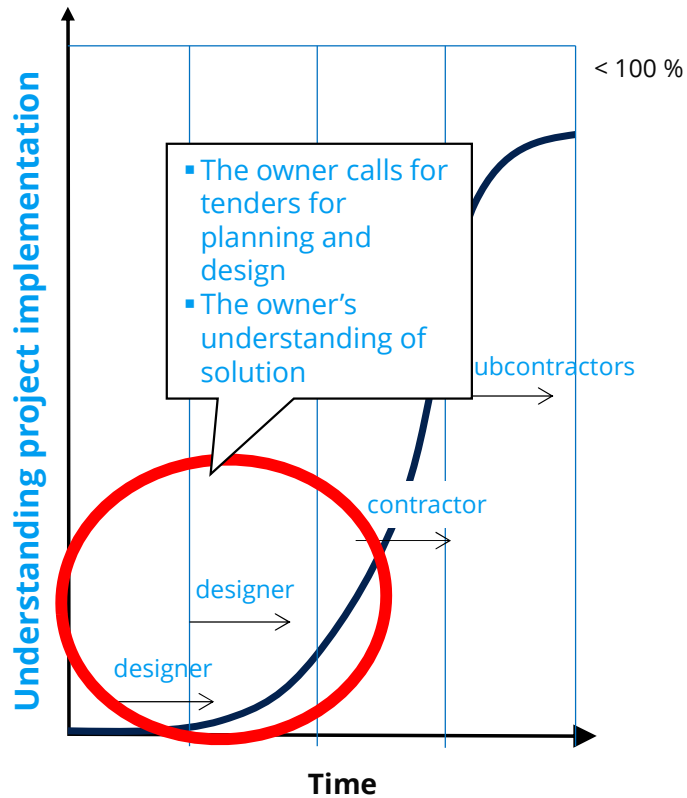


The commercial model drives innovation and productivity



Cooperation that benefits the project's objectives

Early involvement of participants



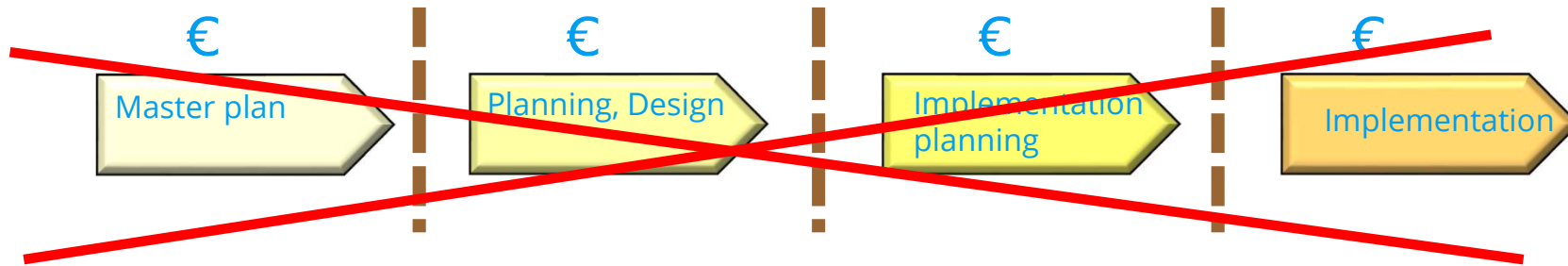
Source: Vison Oy

Project Alliance Definition

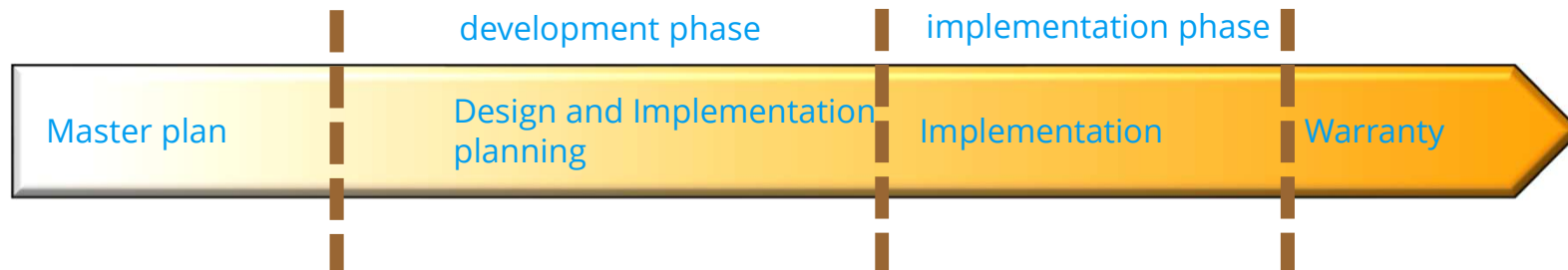
- *A Project Alliance is where an owner and one or more service providers (designer, contractor, supplier etc.) work as an **integrated team** to deliver a specific project under a contractual framework where their commercial interests are aligned to the actual project outcomes.*
- *In an Alliance all the Parties*
 - *Assume collective responsibility*
 - *Take collective ownership of all risks*
 - *Share in the "pain" or "gain"*

Source: Main Roads Western Australia, Brain Noble 2010

Integration of know-how and resources



Traditional project implementation



Integrated project implementation

Procurement and the contract

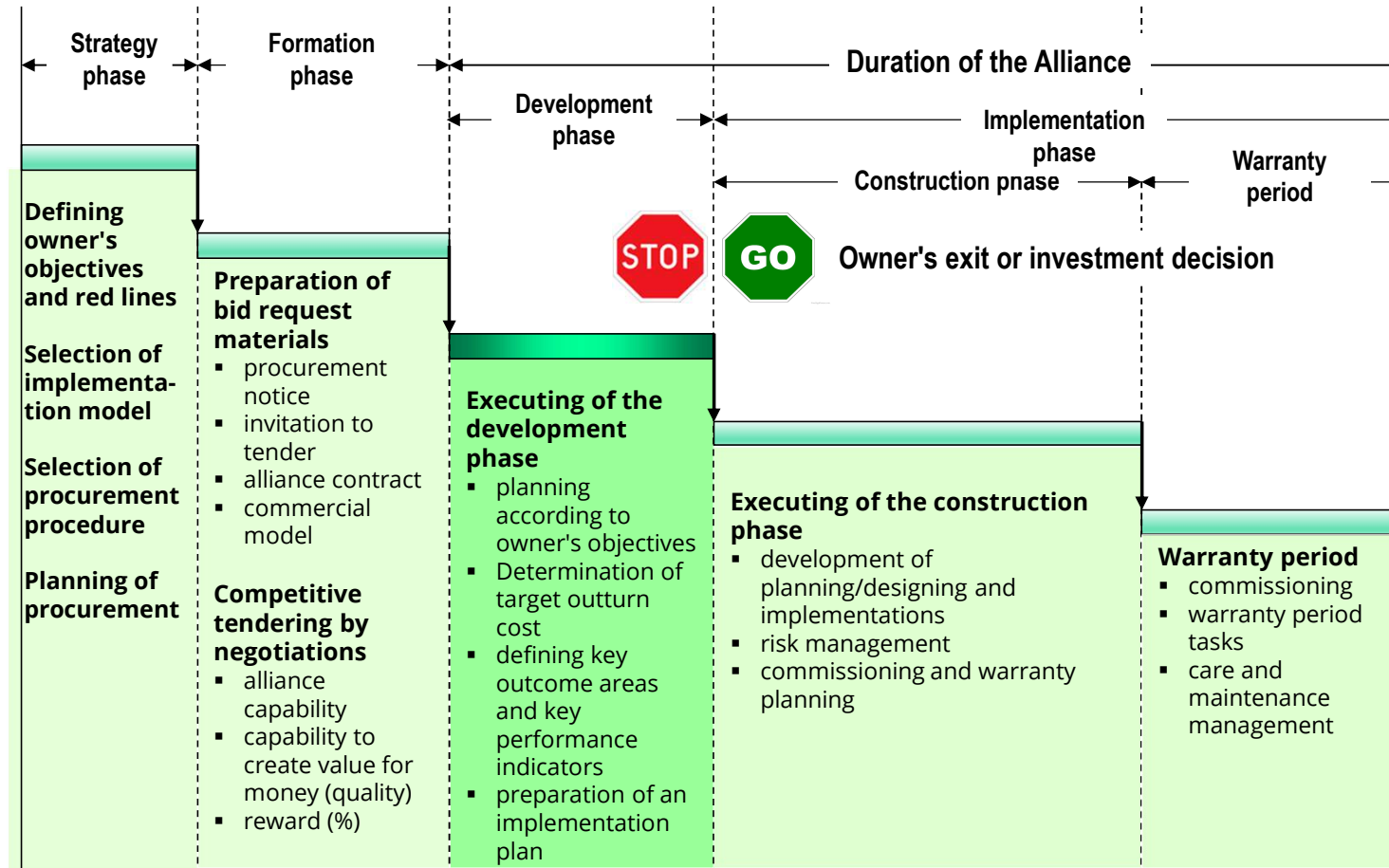
Suitability of integrated implementation models



- Smaller project
- Predetermined scope
- Fully designed
- No need for innovation
- Known risks
- Services are available on the market

- Complex project
- Changes to the content can wait
- Not fully designed
- Possibilities and need for innovation
- Unknown risks and possibilities
- Unclear market

Alliance phases

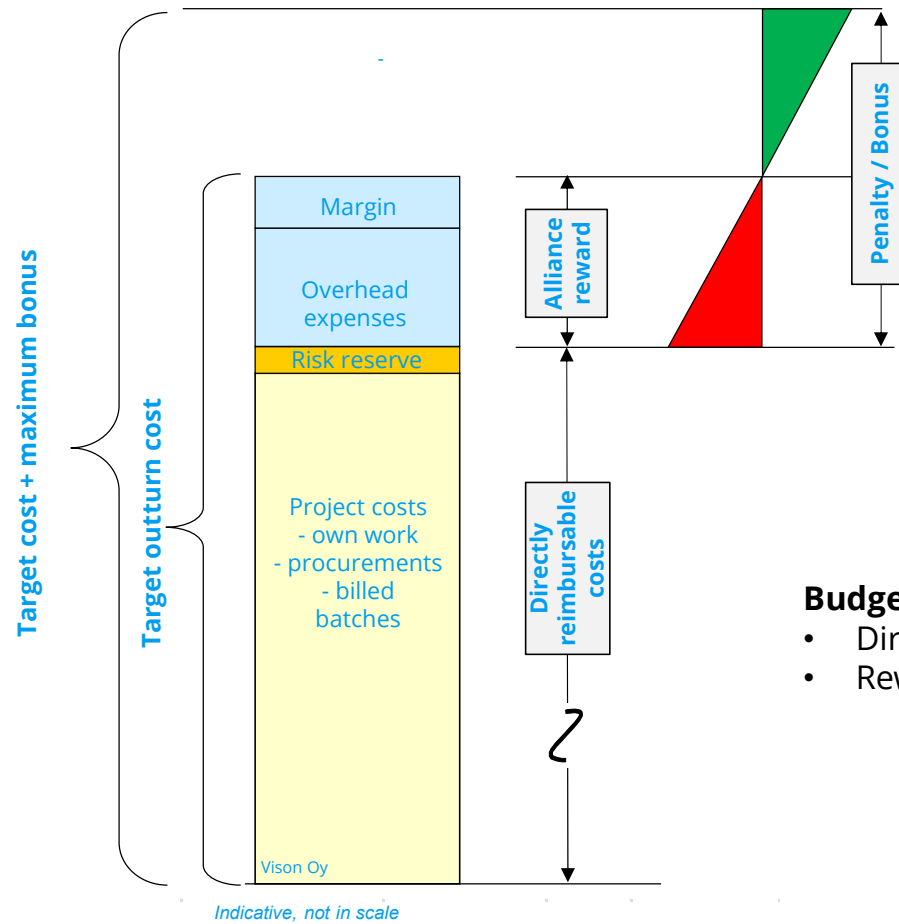


The contract

- A joint contract for all parties: client, contractors, designers
- A relational contract, not transactional
- Very few legal issues in the actual contract
- A statement of intent: we will design and build this together
- A "No blame" –clause: we all win or we all lose
- No predetermined roles, except for
 - the Alliance Leadership Team, ALT (cf. a company board)
 - the Alliance project manager and Alliance Project Team, APT (cf. the management team of a company)
- The parties are collectively liable for damages
- Owners/clients exit right
- Common incentives (the commercial model)
- Compensations for damages may be considered only in case of breach of intellectual property rights, obligation of insurance or confidentiality or (new contract) intentional or grossly negligent conduct
- Usually only arbitration as a last resort, no possibility to go to trial

The commercial model

Compensation model



Incentive system

- Bonus / -penalty
- Performance bonus / -penalty

Budgeting and invoicing

- Directly reimbursable costs
- Reward

Costs and fees

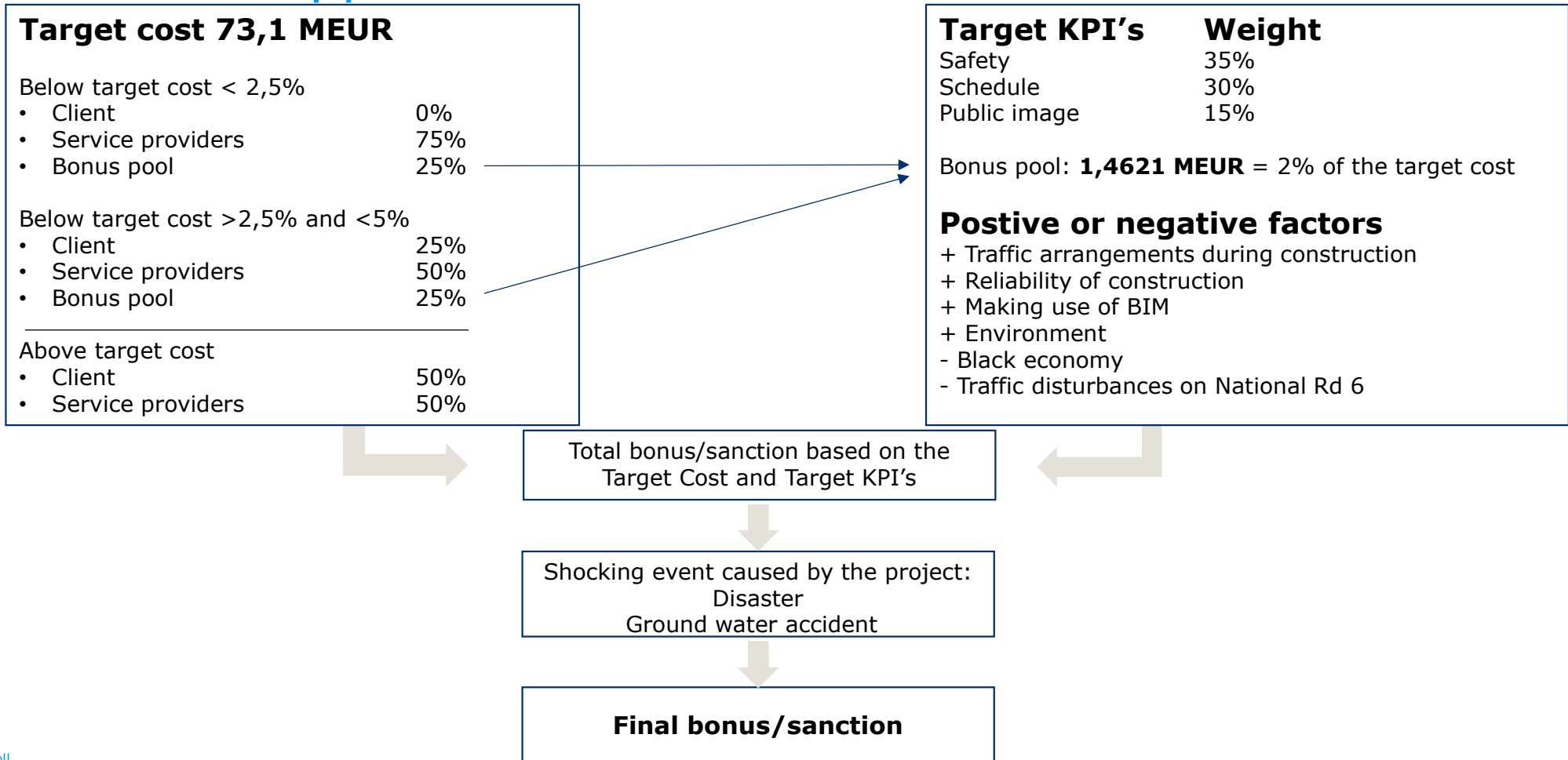
- Alliance

- Compensation model (direct costs + reward)
- A separate incentive system bound to the objectives of the alliance
- Invoicing principles; possible prepayments and guarantees, estimated invoicing, etc.
- Open book –requirement
- Financial control and audits

- Standard contracts

- As a rule, contract price and / or contract pricing or invoicing
- Invoicing instruction

Bonus/incentive system, example from National Road 6 Taavetti-Lappeenranta in Finland



Decision making, risk and change management

Decision-making and management

- Alliance
 - Joint and **unanimous** decision-making, all parties have a veto power
 - Management system
 - The **alliance leadership team** (ALT) is formed by the contract parties
 - ALT will appoint a project manager and an **alliance project team** (APT) to his assistance
 - ALT makes final decisions and acts as a dispute resolver.

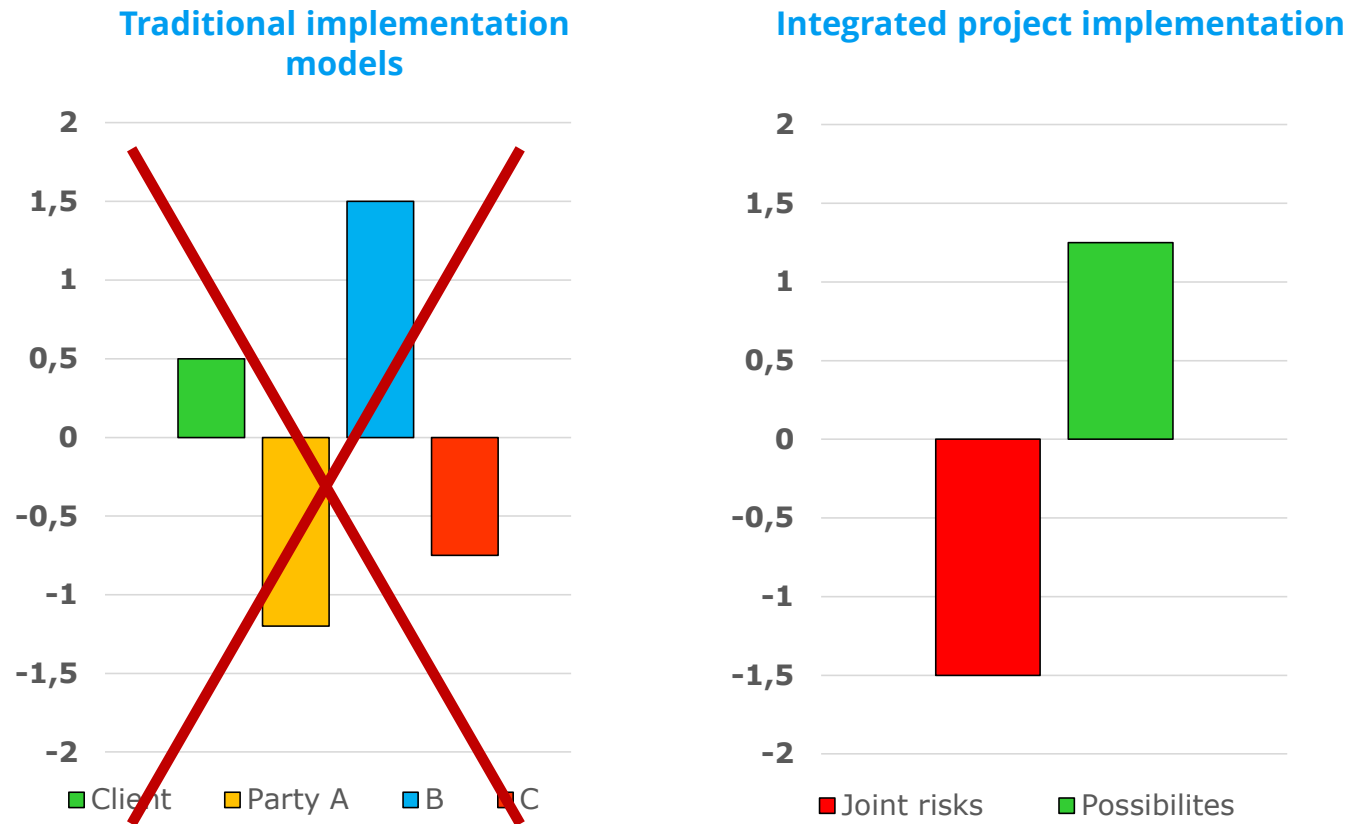


Risk management

- Alliance
 - Joint risk management (including errors, etc.)
 - The target cost shall include a jointly agreed risk reserve
 - As a rule, risks and opportunities are shared, i.e. everyone wins or loses together (depending on the structure of the commercial modal).
 - This forces to consider the interests of all parties and to participate in tasks according to each party's own role
 - The owner may bear some of the risks



Collective sharing of risks and benefits



Source: Vison Oy

Change management

- Alliance
 - The project is specified as it progresses, there are no extra works or changes in the traditional sense
 - The owner's right to change the scope (implementation phase change), which must be confirmed by the alliance
 - A change in scope usually also affects the target cost as well as the objectives and indicators thereof
 - The principles of the scope changes must be agreed upon when the implementation plan is approved



Thank you!

Peter Molin, Director, Infrastructure and transport
+358 40 752 3667
peter.molin@ramboll.fi

RAMBOLL

Bright ideas.
Sustainable change.