

Alliance Delivery Model

Construction Procurement Guidelines

October 2019

Overview

The alliance delivery model is a relationship-style arrangement, that brings together the client and one or more parties to work together to deliver the project, sharing project risks and rewards. Collaborative procurement methods are usually used for highly-complex or large infrastructure projects that would be difficult to effectively scope, price and deliver under a more traditional delivery model.

Some key features of an alliance include:

- good faith and trust provisions with a “no blame, no disputes” philosophy
- an open-book approach to contract pricing
- decisions made unanimously on a “best-for-project” basis, rather than a “best-for-the-individual-participants” basis
- joint development of a target out-turn cost agreed between the participants
- pain/gain share arrangements where costs below and above the target cost are shared between the parties based on a pre-agreed percentage split.

For more guidance on alliance models in relation to the Stronger Christchurch Infrastructure Rebuild Team (SCIRT), see <http://www.oag.govt.nz/2013/scirt/part3.htm>

At a glance - Alliance Delivery Model

Guidelines for use

This model is considered suitable for major projects in circumstances where several of the following characteristics are present:

- Project scope and risks are highly uncertain.
- There are significant time constraints.
- The project is highly-challenging technically.
- There are complex external factors, eg political, environmental or stakeholder-related ones.
- Innovative or cutting-edge solutions are required.
- There is a need for flexibility, eg in scheduling and programming.
- A collective approach is considered advantageous for the management of project risks and challenges.
- There's a desire for knowledge sharing and transfer between the parties.

Potential benefits

- Enables a project to go to market early, before the scope and details of the project are finalised.
- Improved efficiency and innovation can be achieved.
- There's maximum flexibility across all aspects of delivery, enabling fast-tracking where necessary to meet time constraints.
- Participants can develop a detailed understanding of pricing and cost due to the transparent, collective contract-pricing process.
- A fully-integrated project team deals with planning, design and construction, encouraging participants to look for best-for-project solutions.
- Supports a high level of knowledge transfer between all participants.
- Alignment of commercial interests, plus the relationship approach and no-blame culture, can result in fewer disputes. Where these do occur, quicker resolution is possible.
- Parties are incentivised to work together to achieve time and cost targets.

Points to note

- The "no blame, no disputes" philosophy means legal claims between participants are generally limited to matters of wilful default or insolvency. Other contract and negligence related matters are commonly excluded.
- Quality outcomes can be compromised in order to meet cost targets and time demands. Good planning is required to avoid any re-work, which must be paid for, which compounds the 'pain' for all participants.
- This method requires significant resourcing from the client in terms of governance and management arrangements.
- Clients need to carefully consider the personal attributes needed for personnel to work successfully in an alliance structure, as embedding the right culture from day one is critical to success.
- Strong leadership is needed from the client's senior leaders to ensure that the required no-blame culture is established and implemented throughout the project.
- Relationships are critical to the success of this model. Issues that could impact include high turnover of staff (client or contractor), or major relationship breakdowns.
- Public value is achieved through an open-book accounting-based approach, which allows the contractor's rates and margins to be independently verified.
- The accounting-based approach, and the requirement for detailed cost scrutiny, requires a higher degree of cost management input compared to other delivery models.