

# Alliancing in Australia: competing for thought leadership

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**Clients need to be ever vigilant to maintain a central role in thought leadership for the procurement of infrastructure projects. This paper uses the case study of alliancing in Australia as a cautionary tale to illustrate how value for money can be eroded when clients concede thought leadership to suppliers. In the mid-1990s the alliance model of contracting was introduced to Australia. By approximately 2005 this alliancing model was a dominant method of infrastructure procurement. Thought leadership by suppliers (including advisors) quickly evolved a model based on the promise that, 'Clients would receive enhanced value-for-money outcomes and no disputes with a culture-centric procurement model that avoided price competition'. It sounds naive and it was, as evidenced by substantial research sponsored by the various Australian state treasuries. In July 2011 the public sector took a thought leadership role and adopted a new National Alliance Contracting policy and guidelines. This second generation of the alliance model was founded on competition of intellectual effort and price. The story of alliancing in Australia demonstrates that thought leadership in the procurement of infrastructure projects cannot be ignored by clients.**

## 1. Introduction

The story of alliance contracting in Australia unfolds neatly, chapter by chapter. It is not a comfortable story to tell, as it is controversial and like all good stories elicits strong passions. Alliancing is a cautionary tale of the consequences when clients abdicate their central role in the competition of thought leadership in the procurement of projects.

The stakes are high with the winners able to claim legitimacy for their preferred commercial model for delivering major projects. If supplier and client interests are always aligned with equal bargaining power and symmetrical information then perhaps this would be inconsequential; however, the reality is that commercial self-interest will dominate, information and expertise is unequal and the adopted model will reflect the thought leaders' commercial interests, possibly at the expense of the loser.

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard for their own self-interest. (Smith 1776: book 1, chapter 2)

The tension that this natural commercial self-interest generates is normal and healthy. Public sector officials are responsible for maximising value for money when they procure assets and services for the community with public monies. Similarly, industry is charged with maximising profits in the short and long term for their shareholders.

This ever-present tension between the legitimate interests of the two parties is not irreconcilable. A well-functioning,

well-informed market should result in a healthy balance of public and private interests that can be expressed as 'win : win'. However, in the authors' opinion this desirable outcome is only achieved when there is symmetry between the client and the supplier in both capability and in the ability to exercise thought leadership.

Governments are, by virtue of their huge capital expenditure, powerful and attractive clients – providing industry with large, reliable, repeat projects where the credit risk is minimal. As the dominant buyer, governments, inclusive of central policy departments such as the treasury, as well as the departments and agencies that 'buy' road, rail and water assets, impact industry's structure and sustainability over the longer term. The authors contend that the public sector is responsible for, and obliged to exercise, thought leadership to protect the public interest when procuring major projects.

The dominant position, particularly size, that governments have in the market means that the client/supplier relationships and commercial agreements are likely to be shaped by their action and also their inaction (as when they fail to recognise or leverage market dominance). Industry, as any profit maximiser should, will step in and fill the leadership vacuum wherever possible. This can have both intended and unintended consequences for both governments and industry. In the worst case for clients, suppliers will be able to negotiate terms that are highly favourable to themselves and deal with this unfortunate client effectively as a one-off rather than a high-value strategic repeat client. The

loss of thought leadership can be avoided when the desire and capability of the client to be an educated and sophisticated buyer of supplier services is strong and active, and they do not abdicate to the supplier, their accountability for ensuring value for money. Arguably, an emerging unintended consequence on the supplier side of the equation is a short-term reduction in capability and competitiveness against peers that were not sheltered from the ‘full heat of competition’. Put more simply, a potential de-skilling of supplier capability.

## 2. Thought leadership

The authors define thought leadership in the context of this paper as: the effective ability to influence how others define and perceive best practice and project success.

Thought leadership, along with general leadership style and an appropriate skill base, is a key attribute of a truly intelligent client. The authors believe that good projects need intelligent clients. In the context of this article, ‘leadership’ is paramount, being clear about “who is driving the bus”. Clients lose thought leadership when they let suppliers drive because suppliers have convinced them that they know where the client wants to go. Clients need to lead the thinking and actions on their procurement strategies.

This paper illustrates that clients need to be ever vigilant to maintain and control a debate in thought leadership for the procurement of projects. It uses the case study of alliancing in Australia as a cautionary tale to illustrate how value for money can be eroded when clients concede thought leadership to suppliers. Although, no doubt, some alliances were done well and could stand the test of informed independent scrutiny, later research showed the structure of the procurement model created a bias towards clients paying too much for the project deliverables and risk profile.

A robust and informed debate on a diversity of ideas should be welcomed; indeed this is a fundamental right in our democratic system. Our governments certainly do not want to muzzle industry ideas and opinion; rather they proactively seek them. Governments do not seek to disadvantage industry but rather ensure industry does not get an unfair ‘free kick’ or undue advantages at the expense of the taxpayer. A healthy thought leadership for taxpayers is where the ideas of others are taken and analysed, and judgements are formed, balancing public and private interests; where the debate is joined in a meaningful and informed way. Governments use their key strength of market dominance to ensure that there is a competitive and level playing field of ideas with suppliers, who have advantages in terms of industry information asymmetry.

## 3. The phenomenon of alliancing in Australia

A sobering example in which the public sector client did not exercise adequate thought leadership is how Australia evolved

its unique model of ‘negotiated alliancing’. In this first generation model of alliancing, price competition as a mandatory selection criterion in competing for government contracts was overturned, and non-price competition became the accepted norm with subsequent negotiation of price once the supplier was selected. Moreover, the client, with limited capability to do so, assumed a much greater exposure to construction and design risk due to the risk-sharing and capped downside nature of the alliance model.

Why did this happen? The authors conclude that suppliers (i.e. contractors, designers and consultants) stepped in to fill a thought leadership vacuum left by clients. A seductive ‘paradigm’ arose about alliancing. The core of this paradigm being that an inclusive best-for-project culture based on trust is the holy grail; if you achieved this the client would be guaranteed the delivery of an outstanding project, value for money and a ‘win : win’ for all.

Furthermore, the suppliers convinced themselves and clients that an inclusive best-for-project culture based on trust and competing on price were diametrically opposed, and used the glib but flawed argument that competing for alliance contracts using price corrodes the culture critical for delivering successful projects. Suppliers proposed (and clients accepted) that the better alternative to price competition was the use of non-price criteria focused primarily on capability and the ability of the parties to align on the cultural ideals of alliancing. In hindsight, it seems incredible that over a 5-year period the contractors and designers for over £20 billion of major Australian infrastructure projects were solely selected on the basis of a qualitative capability criterion (a ‘beauty parade’) with minimal, if any, competition on price.

An oft-repeated mantra of the champions of Australia’s first generation model of alliancing was that price competition brings out the worst in people and is counter-productive to a collaborative culture that is required to deliver outstanding project outcomes.

Research, such as Sturgess *et al.* (2007), shows otherwise. Building effective price competition into the selection process means there is more incentive and opportunity for suppliers to differentiate themselves and to showcase their capabilities and capacities to deliver the project. In addition the suppliers will be incentivised to provide innovative solutions that put them ahead of their competitors to win the contract.

In the second-generation model of alliancing, the focus is on an ‘intellectual competition’, in which a shortlist of two compete to develop the best project solution. The optimal contract price comes out of this competition.

Specialist consultants, known as alliance facilitators, emerged in a thought leadership position, often usurping many of the

client's roles. They actively promoted and established the negotiated or non-price competitive selection model. Clients commonly engaged alliance facilitators to help select the contractors and designers with the best cultural credentials and to establish the right alliance team culture and commercial framework. Contractors and designers, in turn, engaged these same alliance facilitators to help them successfully meet the cultural assessment of the client's tender selection criteria. In this environment it is not surprising that the 'intellectual firepower' of bidders was diverted to successfully satisfying the alliance qualitative selection process rather than maintaining the focus on great project outcomes and minimising costs as price competition would demand.

Between 1994 and 2009, except notably for a major agency in Western Australia, over 85% of alliances used non-price competition to select the supplier. The (now defunct) *Project Alliancing Practitioners' Guide* published by the Victorian Department of Treasury and Finance inadvertently supported this approach (DTF, 2006). This guide expressly recommended negotiation or non-price competition as the default selection approach and this was echoed through most Australian jurisdictional guidelines.

In addition to using non-price criteria to select the supplier, an extensive commercial framework was developed in which

- the financial impact of construction and design risks was significantly transferred from the supplier to the client
- the suppliers' exposure to construction and design risk was capped
- suppliers were comprehensively rewarded, over and above the normal fees and margins, for meeting mutually agreed targets.

The promise of this first-generation model of alliancing was enhanced value for money. However, as discussed later, in November 2009 the Victorian Department of Treasury and Finance published the first independent and comprehensive evaluation of alliancing. The report found a very different reality (DTF, 2009). Suppliers were taking higher profits with lower risk (Figure 1), while clients received less value for money. Alliancing offered higher returns without the commensurate risk profile relative to other models, suspending belief in the traditional view on the supplier's risk/return trade-off. Moreover, the generous reward framework was largely unwarranted and did not recognise the government as a repeat 'high-value strategic client'. The report demonstrated that the non-price competition model was *not* in the public interest.

In the first-generation model of alliancing, the clients' commercial acumen was often disarmed. Clients were persuaded that the final outturn cost of the alliance project was the 'right price' to pay, even if it significantly exceeded the project budget

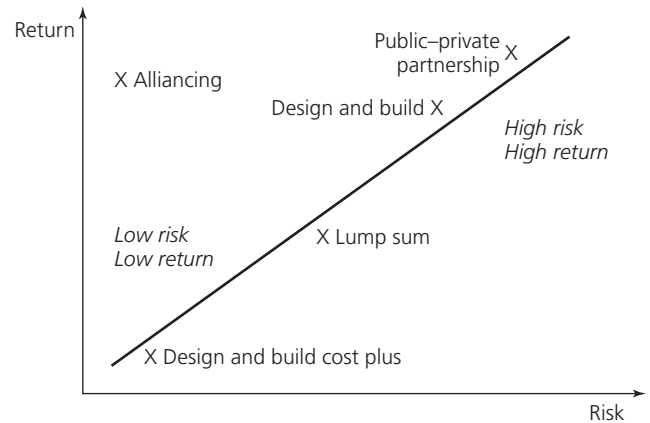


Figure 1. Risk against return: alliancing illustrating higher returns for lower risk

estimates in the business case or the alliance's target cost. It was not technically a 'cost overrun'.

Alliancing was particularly successful in providing the optics, if not the substance, of success and it diluted the threshold of what defines success for the agency as client and the government as the investor. The model effectively sought to outsource accountability for the protection of the public interest to the alliance team. In many ways alliancing also met the perverse incentive of avoiding the negative commentary and perception of 'failed' project delivery through almost guaranteeing supplier's profits.

How did clients become party to developing and embedding a method that did not demonstrably serve and protect the public interest? And what part did thought leadership play in recovering this situation? The story unfolds, chapter by chapter, from the early days of alliancing to the present day.

I also have a nagging philosophical problem with the use of incentives in contracts, which goes beyond the simple fact that they don't work. I believe the offering and taking of incentives fundamentally disrespects the professionalism of contractors. What incentives are really saying is, because you, the contractor, won't do a good, honest job just for your fee, I need to bribe you with some contingent money based on whether you actually show up for this job. (Merrow, 2011: p. 288)

#### 4. The first chapter: in the beginning ... to 2004

Some, particularly champions of alliancing, characterise the traditional procurement models (including design and build, lump sum and build only) as producing an unproductive positional relationship between the 'buyer' and the 'seller', leading to adversarial behaviours (more on this later). Another common criticism of traditional procurement methods is that governments seek to transfer risks which the suppliers cannot cost-effectively manage.

In the mid-1990s, Australian governments introduced the alliancing model based on the UK oil and gas industry for major projects, partly to overcome this perceived adversarial behaviour, and partly to achieve 'outstanding outcomes' based on a more 'equitable' share of risks. Over a relatively short period of time the alliancing model evolved to a commonly held procurement and delivery process with unique legal terms and commercial principles.

The most significant change as a result of moving from traditional to alliance contracts was divergence from a risk allocation focus to (purportedly) a risk-sharing approach. The allure of the alliance commercial principles, with a 'no blame'/'no litigation' culture and the capping of downside risk for suppliers, resulted in clients effectively paying a premium directly or indirectly in the fee for a total risk that was ultimately not allocated to suppliers.

Alliancing promised a collective approach to sharing risks but this sharing was illusory. In the case of a distressed project the supplier's downside was capped (normally to its nominated overheads and profit), whereas the client carried the uncapped risk exposure. Therefore, clients needed to be better placed under alliance contracts to understand project risks (and the potential consequences if these risks arose) than under traditional 'risk transfer' contracts in which the supplier normally faced uncapped construction and design risks. In an alliance, the client assumed the risk position traditionally carried by the contractor.

The situation is summarised in the following list.

- (a) Suppliers were chosen on the basis of non-price competition with price subsequently negotiated in a non-competitive process.
- (b) The alliance contract provided for
  - some or all project risks collectively managed and shared (with financial exposure capped for suppliers) among participants
  - establishing (with the one preferred supplier, and often while this supplier was undertaking 'early works') a 'target cost' which provided the basis for a share of savings/overruns when compared to the actual delivered cost
  - restricting participants litigating on the contract (the principle being 'no blame')
  - jointly managing resources and responsibility for decision-making relating to the works or services (with 'open book' and unanimous decision making)
  - best-for-project focus (rather than 'best-for-my-business')
  - participants committed to developing a culture that promoted and achieved outstanding outcomes (notwithstanding they may not be required in the business case).

- (c) Supplier costs were fully reimbursable with a risk/reward regime that typically shared all savings 50:50 (i.e. cost under-runs to target cost) but limited the supplier's downside to project overruns to its nominated overheads and profit (the 'fee') after which the client bore 100%.
- (d) Supplier profits were generally benchmarked against traditional contracts (notwithstanding the supplier's often lower risk profile, capped downside in the alliance contracts and additional extensive reward/incentive payments) (Figure 1).
- (e) Alliance facilitators, having contributed to thought leadership in developing the alliancing model, were considered essential to project success and were very often expected and permitted to shape and guide the procurement process, the commercial framework and the project team.

## 5. The second chapter: the heady days of alliancing from 2004 to 2009

Figure 2 (reproduced from DTF (2009)) illustrates the value of alliancing in the public sector increasing exponentially from £700 million per annum in 2003–2004 to over £7 billion per annum in the 2008–2009 financial year (30% of the total infrastructure spend). Over the period 2004 to 2009 there was £20 billion of alliance projects in road, rail and water sectors in Victoria, Queensland, New South Wales and Western Australia. Alliancing became the preferred contract model for infrastructure by non-departmental agencies, such as water and road authorities, and for projects that otherwise would have used traditional contracting models.

As alliancing increased exponentially in the public sector, private sector clients were remarkably unconvinced of its benefits. Public sector clients did not investigate this significant difference in opinion on the merits of alliancing until 2009. Private sector companies procuring infrastructure assets (as in

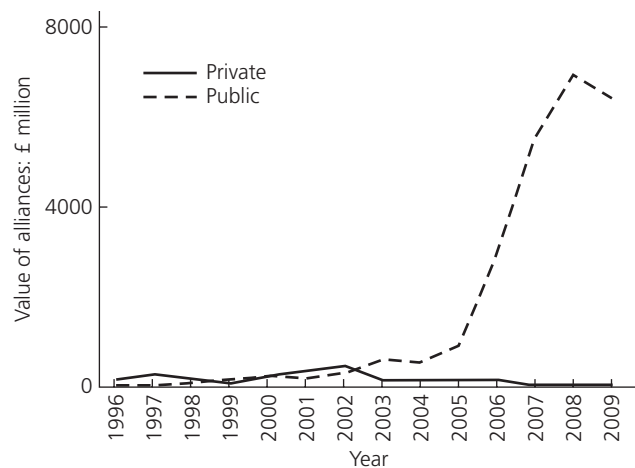


Figure 2. The use of alliancing in public and private sectors in Australia

the Australian mining sector) have high levels of commercial acumen and knowledge of risks (i.e. information symmetry), and their lack of adoption of alliancing should have sounded early warning bells to public sector officials.

Indeed, there was no deep analysis of why past alliances did work in the private sector. The authors contend that unlike sectors such as oil and gas, which spawned many alliance-based models, government procurement of assets and services effectively retains a 'transactional' rather than 'relationship' characteristic as it lacks the effective sanction in relationship contracting of being ready to exclude suppliers from future work. In a private sector contract formed on relationship-based contracting, the client measures capability, productivity/performance and value for money over many transactions and the suppliers measure profit over many transactions. Neither of these behaviours is typically found in government contracts.

Client agencies embraced a new procurement model but without the success drivers of the oil and gas industries. Suppliers benefiting from the commercial capability and capacity gaps in client agencies were able to work out how to maximise their own commercial self-interest.

By 2009, alliance teams had generally morphed into highly empowered entities with the ability to define the project's value-for-money objectives and the metrics of success. Public funds were used to support the alliance 'team spirit' with the purchase of prizes to reward good ideas and high-performance individuals (examples include a speed boat with trailer and fees for a supplier to study for a MBA). Many alliances engaged professional communications firms (with the client's money) to produce DVDs that recorded testimonials and achievements. Some left behind 'legacy memorials' such as sport amenities and water features as gifts to the local community.

In this environment, alliancing was seen by clients and suppliers as a wonderful model for achieving exceptional and outstanding outcomes and value for money without the need for price competition. Alliancing avoided uncomfortable headlines around 'failed projects' and 'cost overruns'. It was an easy option for an inexperienced client who did not understand the project risks, and wanted the optics of success guaranteed. However, central government authorities, like the treasuries of the big four Australian states, became sceptical – it all seemed too good to be true.

## 6. The third chapter: the reality check by central government

By early 2009, the treasury departments of the states of Victoria, Queensland, New South Wales and Western Australia were concerned about the misalignment between claims by project teams that alliancing was delivering outstanding outcomes and

the reality they saw of massive cost increases over business case estimates, all taking place in a non-competitive environment. They acted quickly establishing the Inter Jurisdictional Alliancing Steering Committee, chaired by Victoria. The Committee commissioned the international infrastructure advisory company, Evans & Peck, and the University of Melbourne (which had the particular focus of ensuring the integrity of the research) to undertake a major research study. This study was the first of its kind to independently assess the value for money being delivered through the use of the alliancing model. Until this time the alliance project teams largely self-assessed their own outcomes.

Twenty researchers conducted the research over 7 months, committing over 6000 h to the task. The approach included the following actions.

- Quantitative and qualitative analysis of survey data from 82 respondents covering 46 projects from a pool of 71 government alliances delivered between 2004 and 2009. Each alliance example invited to participate was valued at over AUD100 million. The response rate and spread of respondents was considered reasonable for the purposes of the study.
- In-depth analysis of 14 alliance project case studies, being a representative sample of the survey population. Of the 14 case studies undertaken, 12 had selected suppliers using non-price competition.

The Department of Treasury and Finance in Victoria published the subsequent report, *In Pursuit of Additional Value: A Benchmarking Study into Alliancing in the Public Sector* in November 2009 (DTF, 2009).

The key finding of this research was that non-price competition was in common use (over 85% of alliances), and that this was not in the public interest for the following reasons

- it resulted in, on average, the actual cost at project completion increasing by 45–55% from the approved business case cost estimate, which is significantly higher than when price competition was used (Figure 3)
- it commanded a 10–15% price premium relative to price competition with increased risk for the client
- it often involved engaging the newly appointed supplier to conduct 'early works', while the client and supplier were negotiating the price (considered an integral and positive feature of the model): this had the high risk of 'capturing' the client before a final price was negotiated (ICAC, 2006).

The research team recommended six changes, predicted to reduce the actual outturn cost of alliance projects by 5–15% without reducing the effectiveness of the alliancing contracting model. The three most significant recommendations were

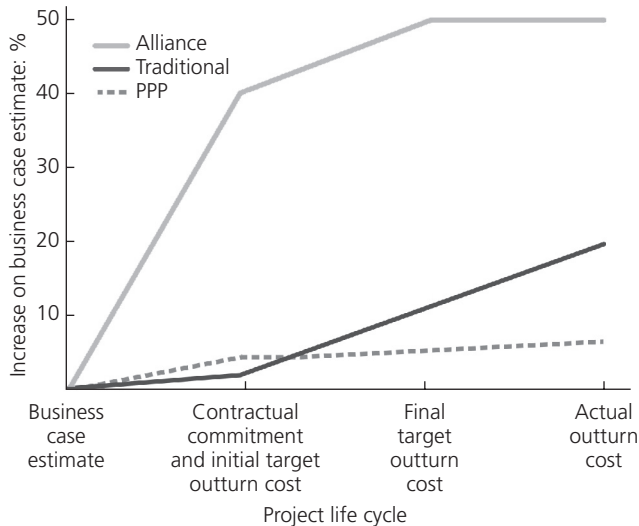


Figure 3. Cost movement of alliance contracts compared to traditional and public-private partnerships

- the alliancing model should be retained for use to deliver projects with undimensionable risk
- a price-competitive process should be used as the default approach for selecting suppliers, with price as a key selection criterion
- the state treasuries (and relevant line agencies) should collaborate to develop common policy principles, guidelines and training for the selection of the suppliers and implementation of the alliancing model, reflecting the outcomes of the study.

All of these recommendations were adopted and have been fully implemented.

### 7. The fourth chapter: regaining thought leadership by clients

The research highlighted the following factors to the treasuries.

- Thought leadership for the alliancing model should be provided by central departments, similar to the approach taken to public-private partnerships. Furthermore, as dominant clients for infrastructure in most jurisdictions, public sector clients always need to engage in the intellectual challenge of interacting with suppliers in informed and robust ways that protect the public interest.
- Alliancing is not a simple collaborative model but, in fact, a complex commercial transaction in which parties will act in their own self-interests.
- Alliancing is an excellent model for delivering major projects with undimensionable project risks; however, it is not a remedy for poor or absent project planning by the client or a lack of relevant skills.

The Inter Jurisdictional Alliancing Steering Committee, through the Victorian Department of Treasury and Finance, subsequently developed and published policy and guidelines governing alliancing in July 2010. The Australian Federal Government (Figure 4) subsequently re-issued these as the National Alliancing Contracting policy and guidelines in July 2011 (DIT, 2011a, 2011b).

### 8. The fifth chapter: 2010 to the present

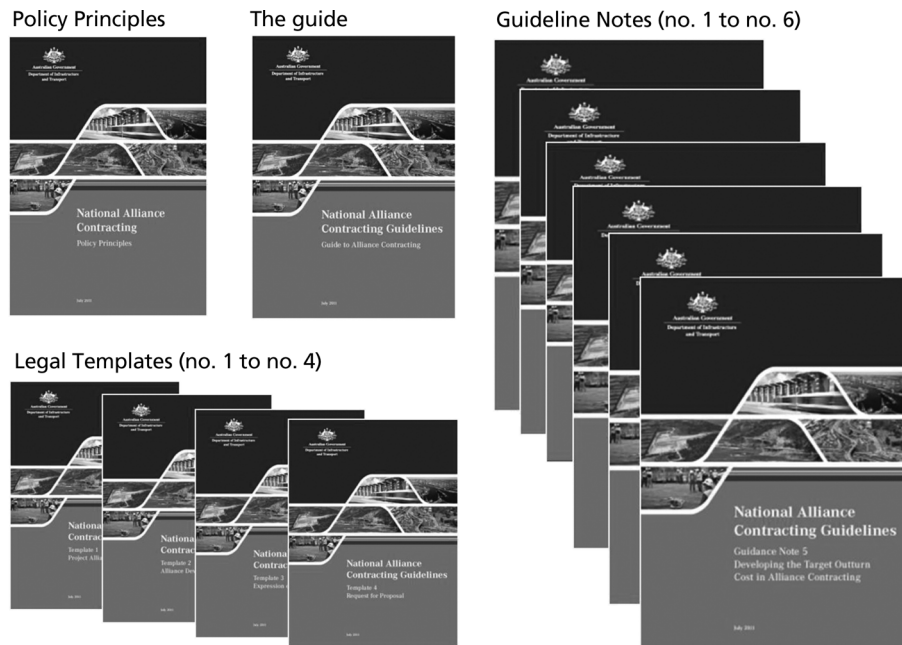
With the National Alliancing Contracting policy and guidelines being published and adopted clients are now more considered and selective in using alliancing as the procurement model for a specific project. The proportion of projects procured through the alliancing model has reduced considerably. Where it has been selected as the model, the use of price competition and approvals by the government’s treasurer to conduct a tender process and award an alliance contract, has resulted in significantly improved value for money.

The authors contend these improvements stem from the intellectual competition of the suppliers as they bid for a (better planned) project. The client maximises the benefit of this competition on behalf of the taxpayer through ongoing refinement of costs and scope as well as the retention of the unsuccessful suppliers intellectual property in cases where bid costs are partially reimbursed.

An example of the success of the new (second-generation) alliancing model: the Victorian Regional Rail Project.

The tenders for this major infrastructure project have been let and work is substantially underway. It was evident from the tender process that having two proponents competing on both non-price and price components during a project development phase drove value-for-money outcomes. Fundamentally, the project benefited from this outcome. The process also allowed for the refinement of cost and scope definition through an interactive process where two proponents were running side by side. For example, as proponents grappled with operational aspects, and came to better understand the limitations of available occupations, there was value in interactively workshopping these issues in a competitive environment in the knowledge that solutions would also be evaluated having regard to price. Additionally, with the partial reimbursement of bid costs to unsuccessful shortlisted proponents, RRLA was able to secure and utilise the IP in these other bids where it was useful to do and to enhance innovation and a value-for-money outcome. (Robert Macy, Director, Commercial & Legal, RRLA, personal communication, 19 November 2012)

On the supplier side the situation is less clear and not all positive. Informal feedback from suppliers suggests that during the heady days of alliancing, companies inadvertently de-skilled as alliance contracts allowed them to earn superior profits in a comfortable low- risk, reimbursable, non-competitive environment. Arguably a string of supplier losses on recent fixed-price contracts supported an assertion that projects risks have not been identified, priced and managed well. If de-skilling suppliers did occur due



**Figure 4.** The suite of documents making up the national framework for alliancing contracting

to a short-term shelter from full exposure to competition and project risks, it may have resulted in unintentional acceptance of (unidentified) business risk over the longer term.

In some quarters, there continues to be a mistaken view that it is only through the use of alliance contracting that negative or adversarial and litigious behaviours can be avoided and collaboration achieved. The authors reject this view. Research (DIT, 2012) shows that this is not the case. In any procurement model, disputes are more likely to arise through an expectation or communication gap between client and supplier at contract execution. This misalignment can be caused by lack of appropriate skills, poor or absent project planning, inappropriate transfer of project risks and uncertainties rather than the contract model. Suppliers will acknowledge that lack of client skills (resulting in numerous design changes, slow approvals of design, etc.) cause some of their cost overruns and relationship issues. Good projects need intelligent clients that are truly project leaders.

Similarly, collaboration is not unique to alliancing, nor is alliancing a guarantee of good collaboration. The leadership style and skills base of the parties has a much more significant influence on the collaboration achieved than the contract model.

## 9. Competition in thought leadership continues

A vibrant and ever constant competition of ideas and positioning for thought leadership continues unabated.

This competition is not restricted to alliancing. How risk is allocated among the contractual parties is a significant and current field of competition. In Australia, as in the UK, the accepted principle has been ‘allocation of risk to the party best able to manage that risk’. While this principle continues to be given voice, the reality is that in recent years clients undertaking traditional contracting, not just alliancing, have shown a readiness to accept risks associated with construction and design, which in the past were seen as the core competency and management responsibility of industry. Certainly there is no accepted view that the skills of the public sector have grown to enable it to manage construction and design risks more effectively, nor have the authors seen any evidence that the transfer of these risks to clients has commensurately reduced contract price. Perhaps what we are seeing is the temptation of tapping the deep pockets of government for any supplier cost overruns turning into practice.

**Senior mining executive:**

What do you know about managing construction risks?

**Senior public sector official:**

Very little.

**Senior mining executive:**

Then why take them on?

**Senior public sector official:**

It’s how the alliancing model works.

**Senior mining executive:**

Then you are out of your league. (Conversation in Australia, 2011)

As engineering design firms increasingly outsource design to developing countries, and/or lose their middle ranks of capability, and as construction firms move to a business model of managing the process of construction rather than managing construction (thus eliminating their direct labour force and shifting responsibility for construction activities to subcontractors), it is commercially prudent for them to condition clients to accept increased levels of design and construction risks. While this business model may suit suppliers, does it suit clients? Are clients explicitly thinking about the consequences of this emerging change in the industry and are clients providing proactive thought leadership in this area?

## 10. Conclusion

The recent history of alliancing in Australia vividly illustrates unintended consequences where clients did not assume thought leadership in the procurement of projects.

The authors argue that many Australian clients in the first generation of alliancing projects conceded thought leadership to suppliers. The resultant non-price competitive model of alliancing involved commercial practices and outcomes that were not in the public interest.

- The price paid by clients was higher compared to alternative contractual models.
- The higher price was paid with clients taking on a significantly higher exposure to construction and design risks.

In the short term, the value for money achieved on individual projects deteriorated, and in the longer term, industry competitiveness is likely to have suffered as it de-skilled without the focus of competition.

The public sector regained thought leadership through developing robust, considered National Alliance Contracting policy and guidelines (DIT, 2011b). Value for money has subsequently improved as intellectual and price competition has returned as a default requirement.

Alliance contracting is too valuable as a procurement and delivery model, for those relatively rare major projects with undimensionable risk, to allow it to fail through bad practice. The actions of the public sector in regaining the thought leadership mantle, and developing the second-generation model, have saved this important model from the 'scrap-heap' and cemented alliancing as a core and valued procurement model in Australia – when carried out for the right project and structured according to best practice and government policy.

Thought leadership lost, thought leadership regained or, at least, thought leadership being contested. This is the unfolding Australian story of alliance contracting.

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