"Alliancing" Offers Shared Risk/Reward

BY DANIEL MATHIS

Following the FHWA/AASHTO international scan team's visit to Australia and Canada to identify innovative right of way and utility processes, several initiatives were identified for implementation in the United States.

One of those key practices focuses on Alternative Project Delivery and Acquisition and Accommodation, specifically the integration of right of way acquisition and utility coordination using an alliance contract approach. First developed by British Petroleum in the 1990s in connection with problematic risky oil reserves in the North Sea, alliance contracting is gaining popularity in Australia.

What is Alliance Contracting?

The alliance contracting approach requires project owners and contractors (or consortium) to work together as a single team with clearly defined shared risk and reward contractual provisions. Commonly referred to as alliancing, the alliance contracting approach is defined as "an incentive-based relationship contract in which both parties agree to work together as one integrated team in a relationship that is based on the principles of equity, trust, respect, openness, no dispute, and no blame. In alliances, all parties are bound to a risk/reward scheme where they all share savings or losses, depending on the success or otherwise of the project."

Benefits of Alliance Contracting

One of the perceived benefits of alliance contracting is the ability to increase the visibility of utility and right of way related activities in the project development process, as well as integrating the activities at an earlier stage. Incorporating right of way and utility activities into the scoping phase of the project gives the alliance team an opportunity to collaborate with stakeholders before a design is developed and determine the best solution for the project. It also fosters a cooperative relationship that can exist throughout the project, and helps avoid the situation where utility and property owners are dealing with various representatives of the project—all with potentially different priorities at different phases—leading to greater opportunities for staying on schedule and on budget.

For example, on the Tullamarine-Calder Interchange project on the south side of Essendon Airport in Melbourne, Australia, the Victoria Roads Corporation (VicRoads) chose an alliance approach due to the complexity of the project environment and the need for an accelerated completion schedule. In this case, the alliance was not directly responsible for land acquisition, although it played a key role in negotiating outcomes that allowed the project to proceed. Utility relocations were the responsibility of the alliance, which was also able to modify the design to successfully mitigate utility relocation costs. Flexibility in design allowed additional shortening of one runway for a slightly larger land take, eliminating the need for retaining walls.

Best-for-Project Basis

In the alliance approach, decisions are made on a "best-for-project" basis (as opposed to a "best-for-individual agency/organization" basis), since the alliance succeeds or fails as a group. In the case of the Tullamarine-Calder interchange project, the best-for-project decision-making approach used by VicRoads determined that the bridge design and construction would be the responsibility of the selected consortium. Conversely, it determined that right of way acquisition would remain the responsibility of VicRoads or a specially appointed consultant.

When To Use Alliancing

Australian transportation agencies use the alliance approach in situations where there are significant uncertainties on the optimal solution for a project. These uncertainties include unpredictable risks, scoping or pricing difficulties, pressures and an owner's desire for breakthroughs or innovation. While alliancing, as was observed by the scan team in Australia, has not yet been used for highway projects in the United States, a few State Departments of Transportation have used some concepts of the alliance contracting approach, such as early contractor involvement for project factors like constructability, speed and innovation.

As familiarity and understanding of the alliance contracting approach continues to develop, the scan implementation team and FHWA's Headquarters Office would like to work with State DOTs interested in piloting the alliance approach with the goal of more successful integration of right of way acquisition and utility-related activities into the delivery of transportation projects.

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