

# **Partnering in Infrastructure Projects in Germany**

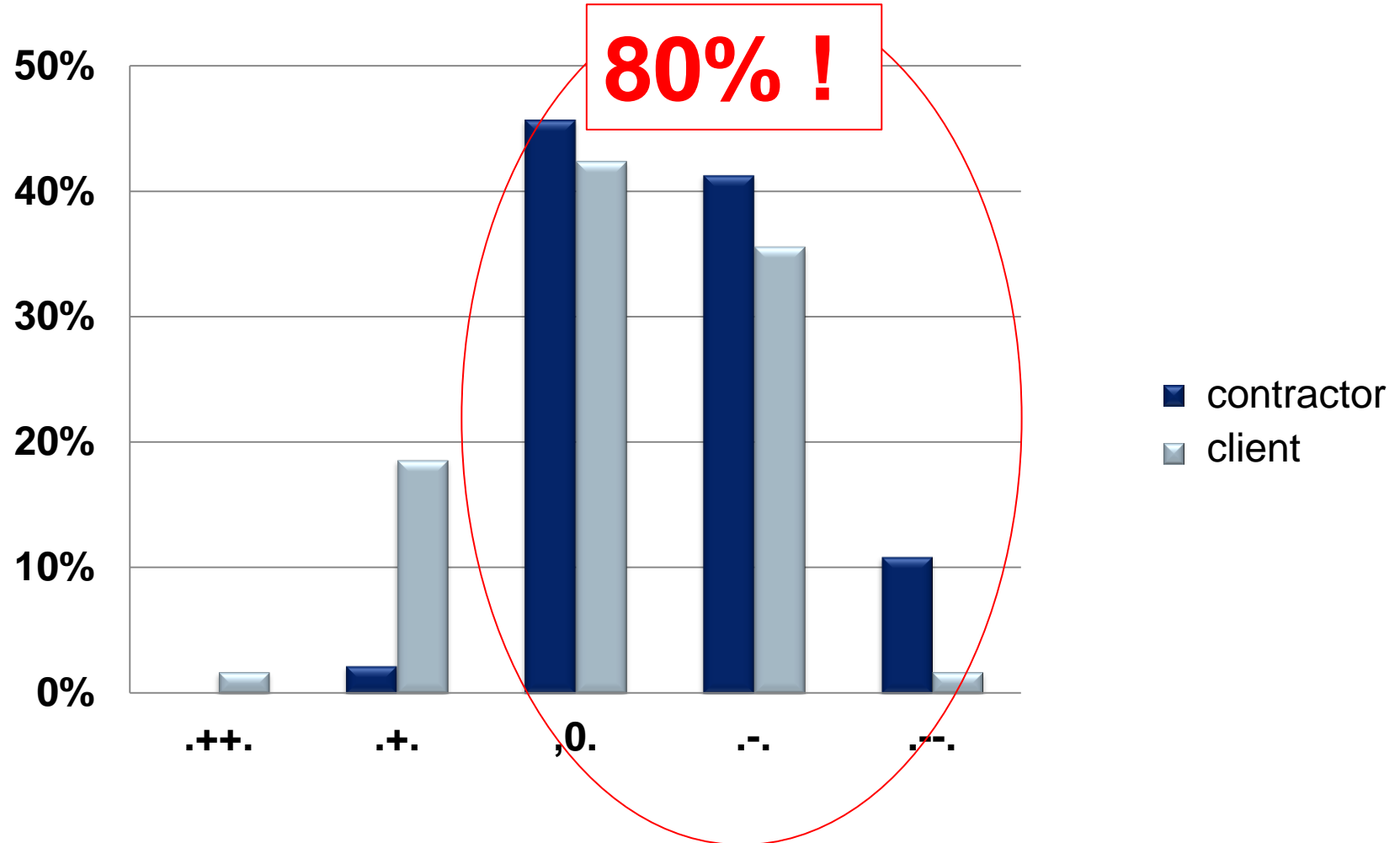
## Guideline and results of pilot projects

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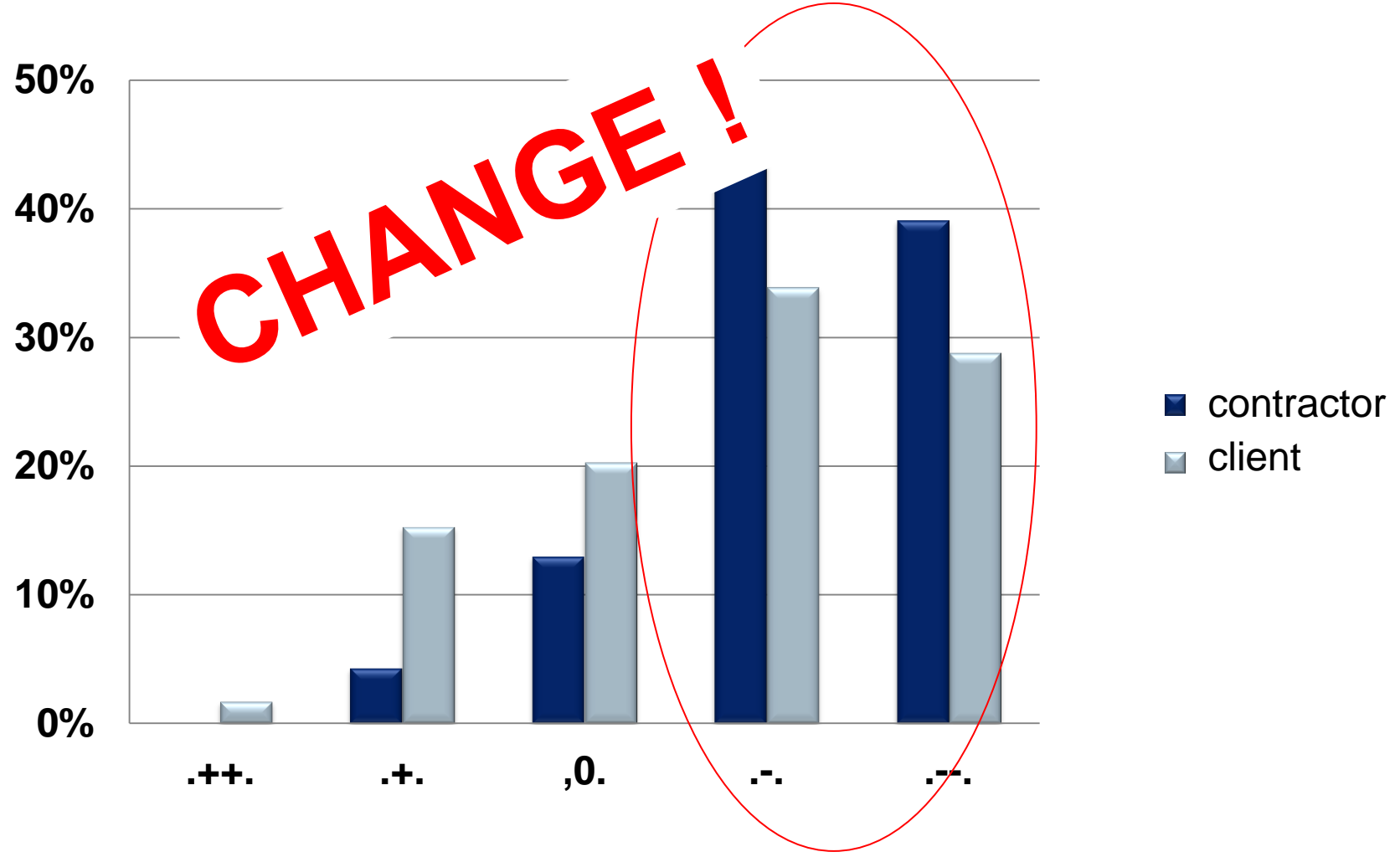
**Chair of Project Management**  
**University of Kassel, Germany**

- Cost overflows
- High expenses for claim- and anti-claim-management
- Distrust between client and contractors
- Dissatisfied clients
- Growing number of disputes and litigations between client and contractor
- Decrease of know-how (“lowest price”)
- Low rate of return and high risk of business failure
- No project optimization after contracting

## Field study: Is the relationship between client and contractor cooperative?



## Field study: Are you comfortable with the present situation?



## Successful Project?

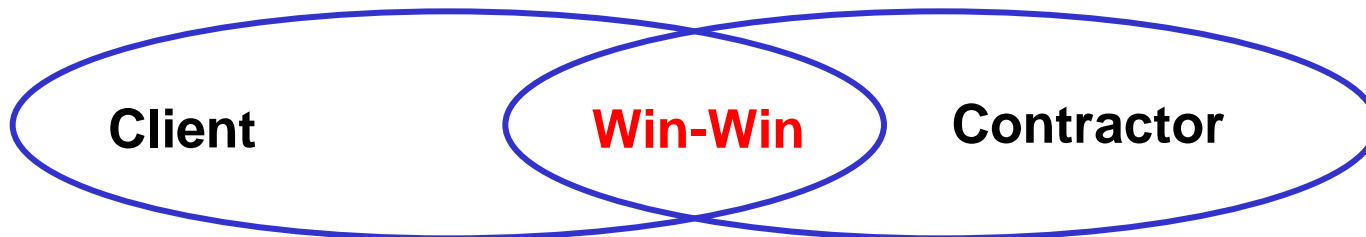


**One party may have a „personal“ success – but no project success!**

**Project success needs both parties!**



# Win-Win



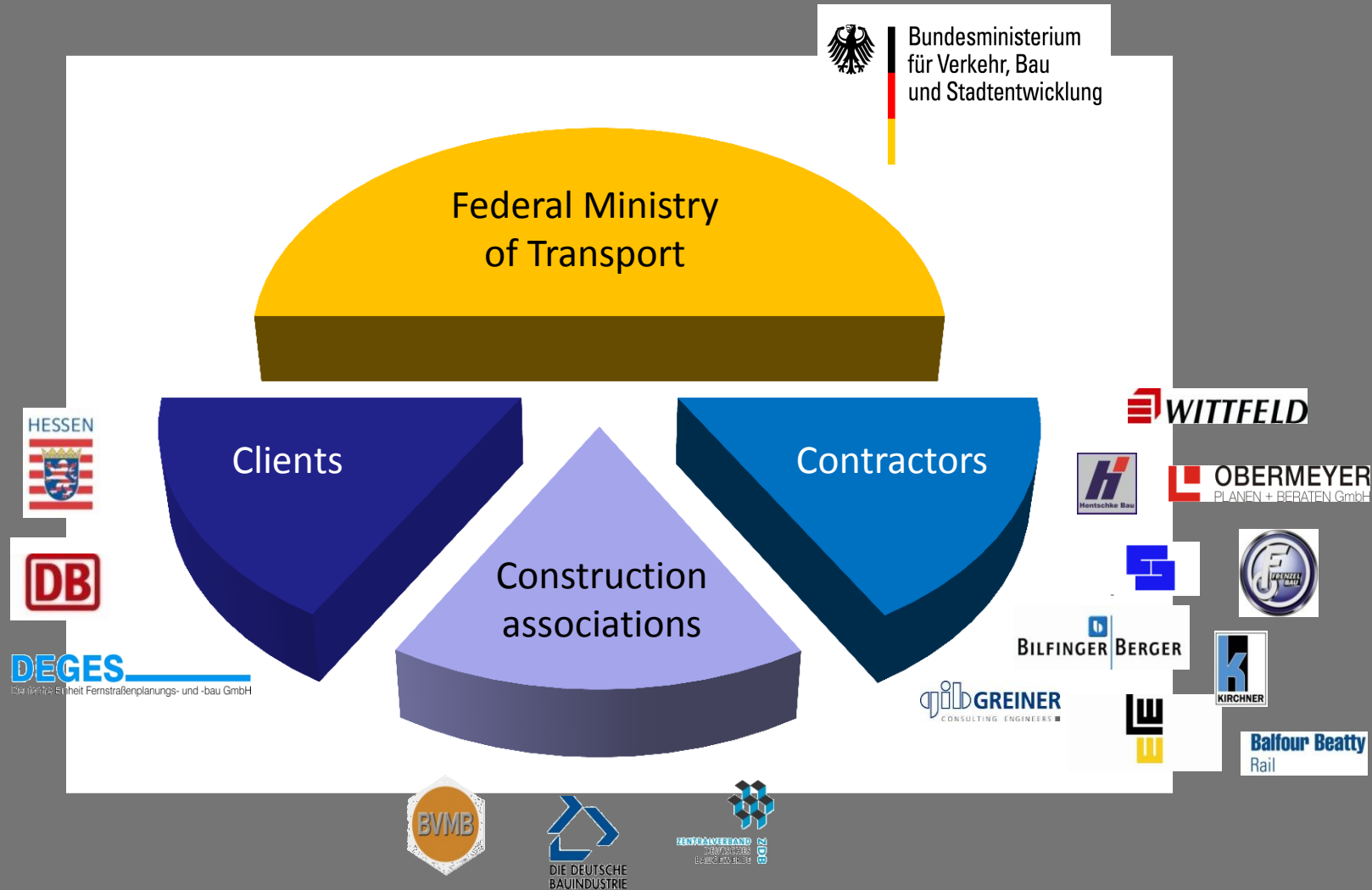


## Limitations for Partnering :

- Tendering regulations for public projects (D, EU) → public tendering, equal opportunities, no negotiations
- Budgetary regulations (Treasury) → open competition, “Best (lowest) price”
- Legal approval process for public infrastructure projects → public participation, “green” opposition with right of action

## + Regulations needs:

- Acceptance by the Ministry of Transport
- Acceptance by client organizations
- Acceptance by construction companies
- **Feasible and thinkable for people (change process!)**





- **Preamble**
- **Element 1: Good and clear project specifications**
- Element 2: Clear and predefined processes and regulations for project changes
- **Element 3: Fair risk handling**
- Element 4: Joint data system for data concerning both parties
- Element 5: Clear responsibility on the client and the contractor's side
- **Element 6: Conflict management**
- **Element 7: Contractual incentive regulations**

## Preamble

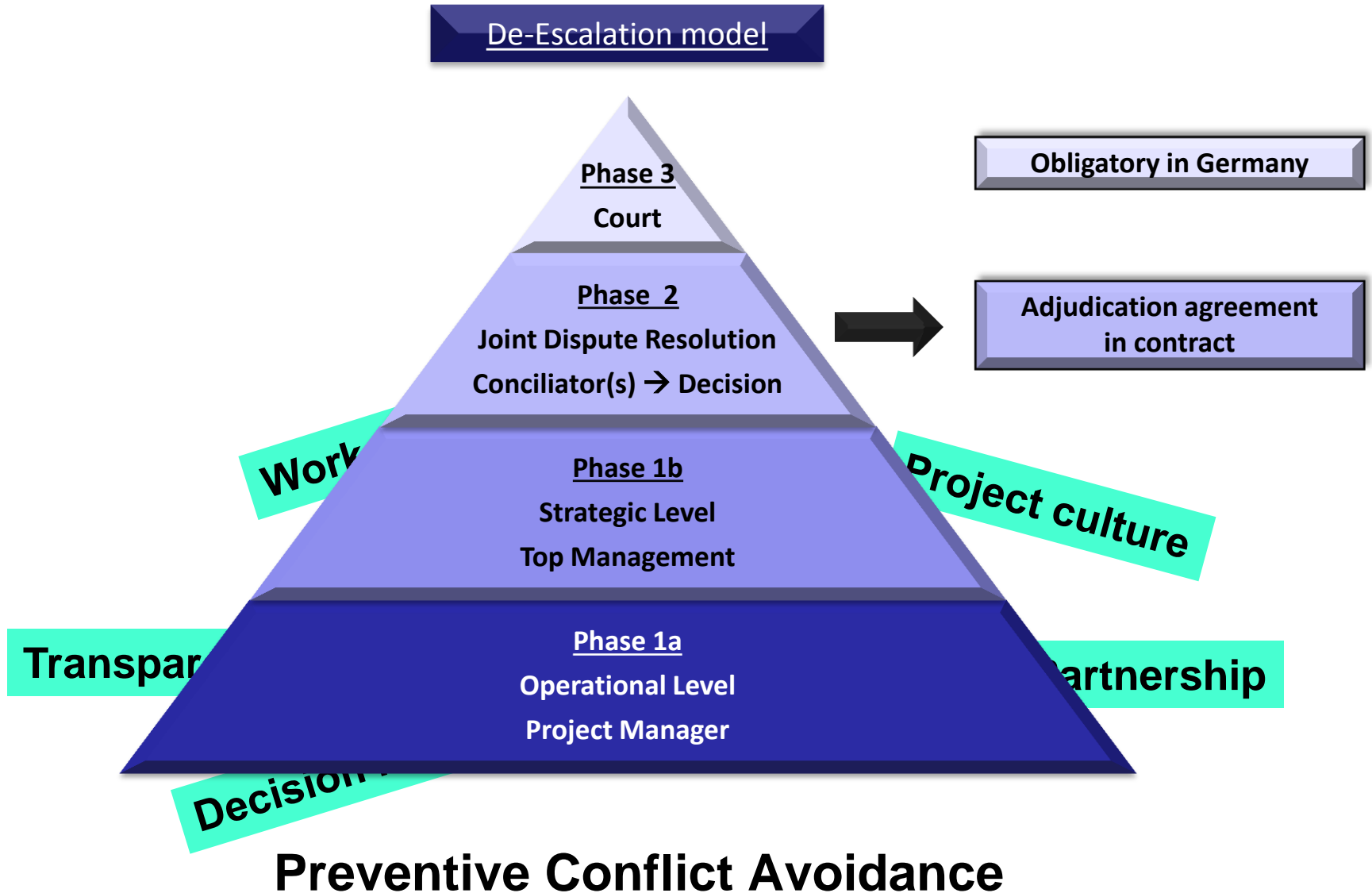
- Client and contractor assure their willingness to cooperate → Signature

## Element 1: Good and clear project specifications

- High level of design quality → project specifications
- Client: CLEARLY define the project specifications
- Bidder: ASSURE a complete offer – questioning the client as far as necessary
- Planner as consultant for the contractor
- Site visit obligatory
- Regular project reviews / workshops between client and contractor

- **Fair risk distribution:**
  - a) **risk to the party, which can manage it best;**
  - b) **each party must state the risks early, the other party has to bear**
- **Risk list, starting from the design phase up to the contract phase**
- **Corporate handling of new risks in the execution phase**
  - **Risk Committee**

## De-Escalation model



- **Project optimization in the contract phase to the client's benefit**
- **Additional earning for the contractor (incentives)**
- **Predefined incentive regulations:**
  - **Reducing costs for equivalent works: sharing the benefit (50/50)**
  - **Shortening of the construction time: bonus**
- **Win-win situation reduces disputes and improves trust**

- **Construction of a new Motorway with 7 bridges**
  - Federal project
  - 8.7 km
  - € 45 Mio.
  - Finished in 2013
  
- **Expansion from 2 to 4 lanes of a regional road during ongoing operation**
  - State project
  - 1.1 km
  - € 4 Mio.
  - Finished in 2012

- 1. Site visit obligatory**
- 2. Clarification conference in the bidding phase**
- 3. Knowledge transfer design – realisation after contracting**
- 4. Commitment for partnering by the management**
- 5. Risk transparency (risk committee)**
- 6. Regular workshops between client and contractor**
- 7. Project optimization in the contract (incentives!)**
- 8. Active conflict management, dispute adjudication included**
- 9. Joint data**
- 10. Regulations for responsibility and decisions**

- **Good Practice / Lessons Learned conc. client and contractor in joint WS**
- **Open communication**
- **Common risk handling**
- **More transparency between client and contractor → project data available**
- **Better solving of problems**
  - **Most solutions on project level**
  - **few solutions by joint dispute board (accepted by both parties)**
  - **Avoidance of litigation → cost and time saving**
- **High product quality**
- **Reduction of risks (for the client) by project optimization**
- **Cost savings by project optimization: € 1 Mio. (2,8%) public money**
- **Bonus for the contractor: € 800.000**

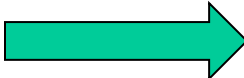


- But also: difficulties with**
- “living” partnering!
  - Changing adversarial attitude
  - having trust
  - accept Win-Win

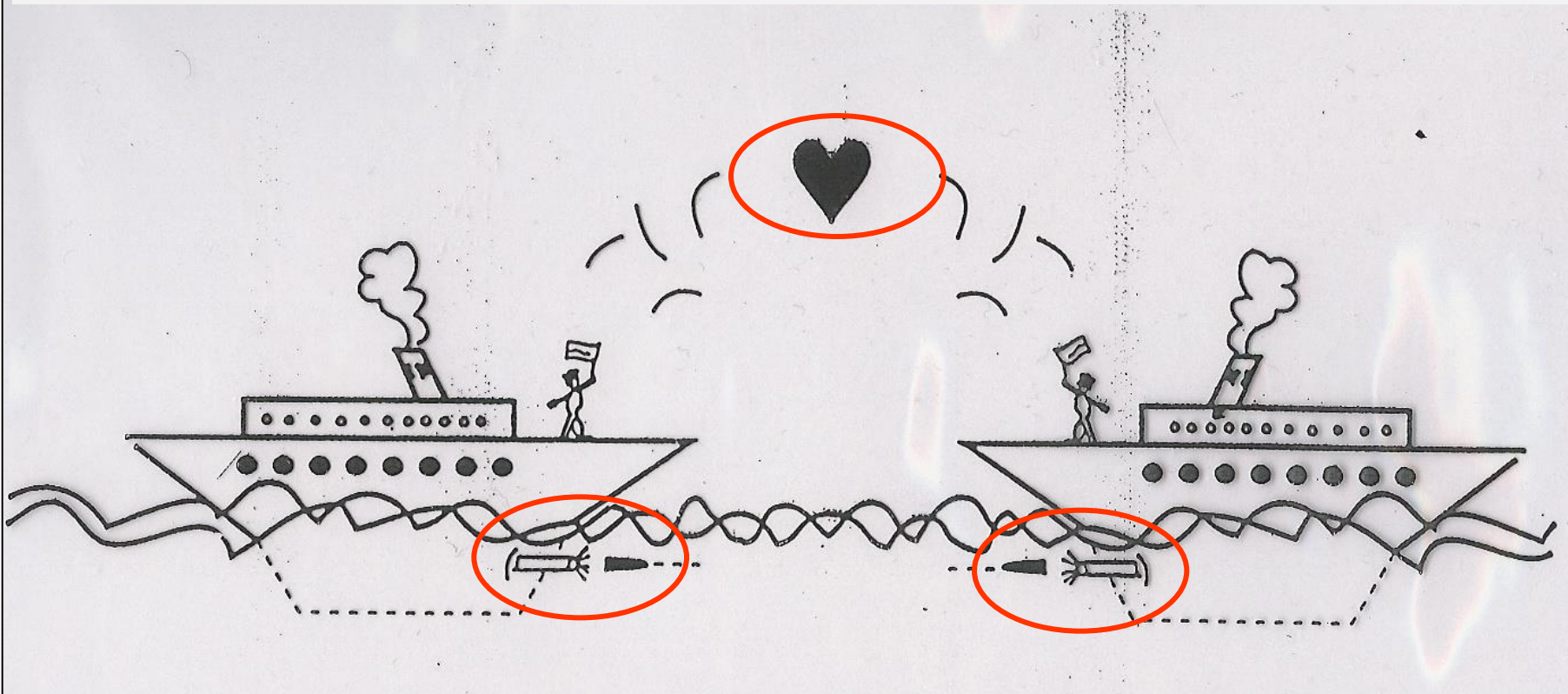
## But also:

- Problems in the beginning (change process)
  - Sometimes falling back into “traditional” behaviour
  - No overall use of project data on the server
  - Not all people on both sides “live” partnership
  - Fair risk distribution ..... To improve!
  - Little progress for contract changes (time!)
  - Too much claims
- → **More exercise, more piloting**

## „Reform- Commission“ from the Ministry of Building and Transport.....

- Risk + Cost
- Design + Planning
- Tendering + Contracting
- Execution
- **Partnering**  Additional Pilotprojects Road & Railway
- **Ministry is willing to go „further“!**

# Partnering ???



# Do it better !

# Thank you for your attention!

## Element 3: Fair risk handling

- Fair risk distribution:
  - a) risk to the party, which can manage it best;
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- Risk list, starting from the design phase up to the contract phase
- Corporate handling of new risks in the execution phase → risk committee

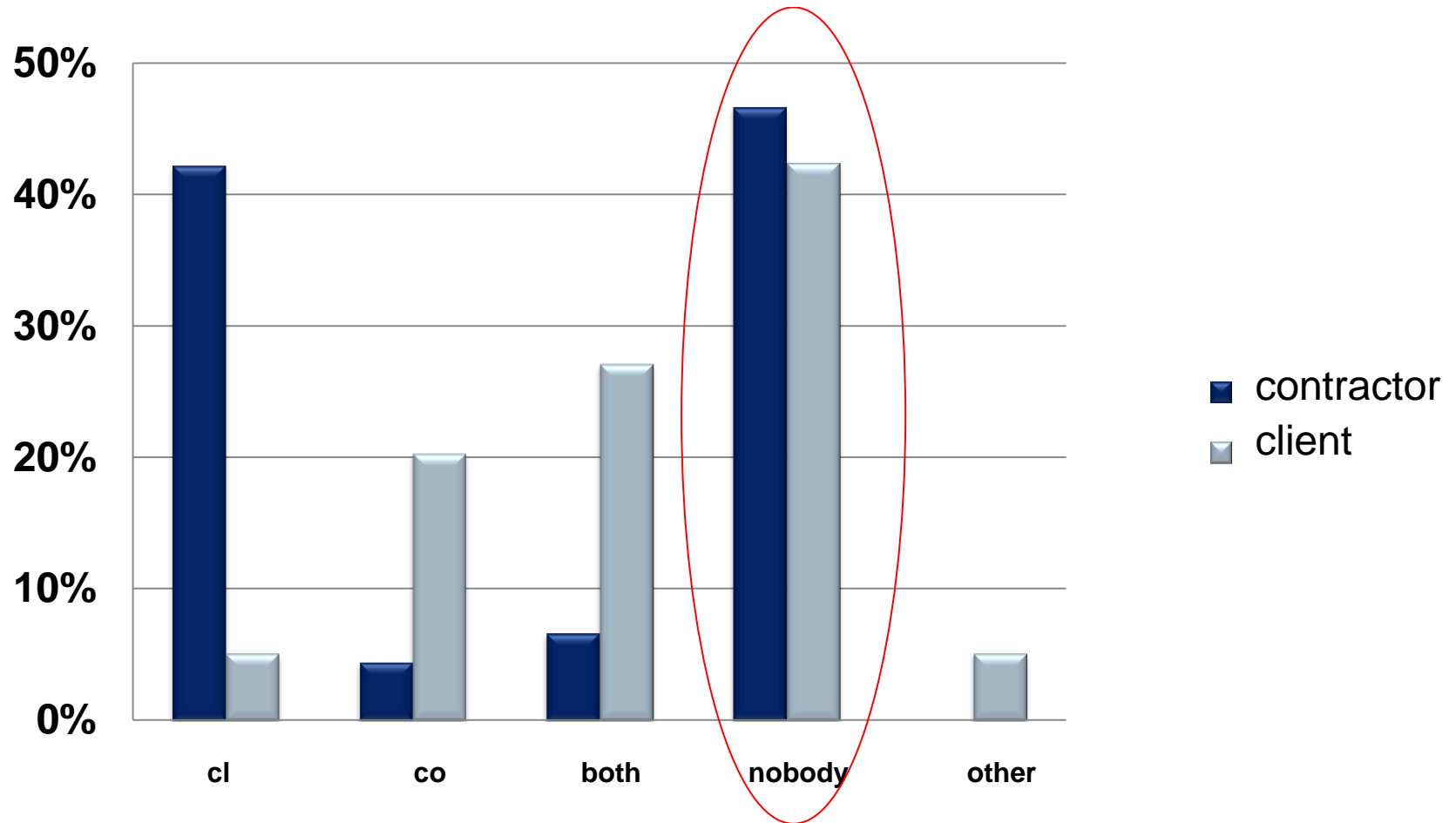
## Element 4: Joint data system for data concerning both parties

- Joint data collection, treatment and documentation
  - One project server for all data
  - Static data (contract)
  - Dynamic data (performance, time schedule, costs, workflow report)
- **Joint data = less conflicts**

## A partnering approach for infrastructure projects in Germany .....

- Less conflicts and avoidance of litigations
- Good working atmosphere
- Knowledge transfer
  - between planning and execution
  - between client and contractor
- Project optimization (after contracting)
- Savings of time (faster decisions, less disturbances)
- Savings of money
- **Respecting the limitations in Germany**

## Who is the winner of the present situation?





### Element 2: Clear and predefined processes and regulations for project changes

- Project change processes with time schedule (who, when, what) as part of the contract
- Predefined requirements for documents and justifications
- Contract change as far as possible before execution
- Proactive detection of necessary changes by client and contractor

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### Element 5: Clear responsibility on the client and the contractor's side

- Clear project organization on clients and contractors side
  - Duties and responsibilities have to be transparent on both sides
  - Linking client and contractor with an open information line
- Clear responsibility and organization and good information assures quick decisions

