

# Railway Strategies: Next Generation Procurement

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# Presentation Overview

- Overview
- Experiences from the past
  - Other sectors
  - rail
- Key issues & Lessons Learned
- Summary

# Experience in Non-Rail Sectors

# The Water Compan



- 1980's - Privatisation of 10 author
- New charging regime – no longer directly by the taxpayer
- Discipline of major plc's now applied
- Various forms of contracts tried over the years
- AMP structure - supply chain still very unhappy

# Highways



- 1980's – poor record of budget & programme control
- 1990's – HA model “Design & Build” contracts
- A34 Newbury Bypass – “Cooperative Management Initiative”
- A303 - Stonehenge – Early Contractor Involvement
- A3 – Hindhead and beyond

# Case Studies in Rail

# Case Studies in Rail

- Heathrow Express
- Jubilee Line
- CTRL
- Edinburgh Tram
- Crossrail
- Docklands Light Rail



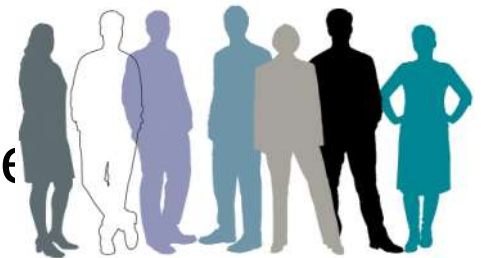
# The PPP Solution

- Jakarta
- Kuala Lumpur
- London Underground
  - Metronet
  - Tube Lines
- Portugal
- Vancouver

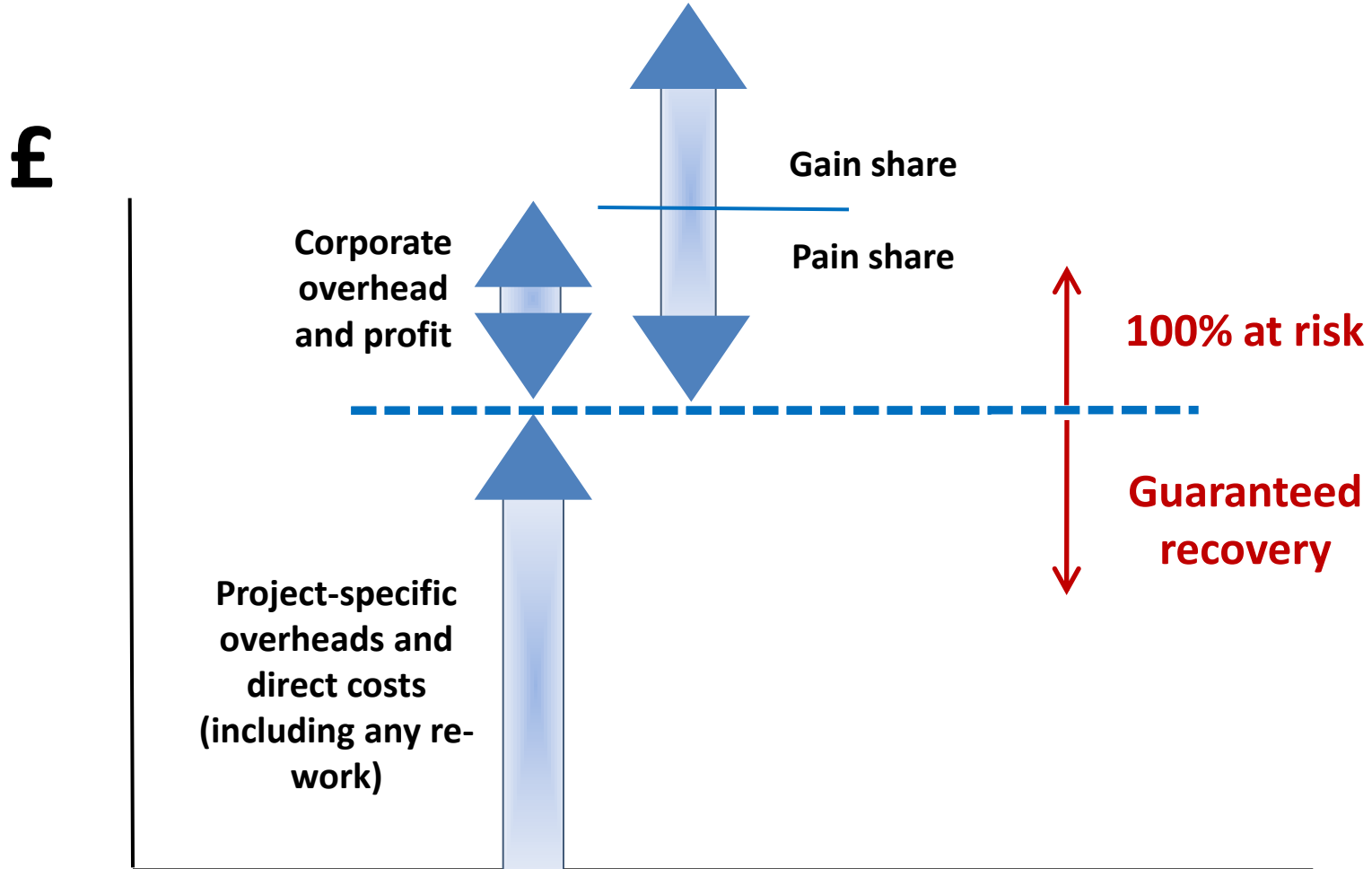


# Aliancing

- Partnering or Aliancing – both “relationship contracting”
- Characterised by:
  - The “Owner Participant” (OP)
  - The “Non-Owner Participant” (NOP)
  - Collective sharing of project risks
  - No fault, no blame, no disputes between participants
  - Unanimous principle-based decision making



# Alliance Commercial Risk Model



# Alliance Key Result Areas

- Jointly agreed targets; minimum set by the Owner
- Risk and reward are linked to outcomes
- The NOP's must have enough at risk
- Financial audit scheme to give confidence
- Comprehensive performance monitoring

# Use of Alliancing

- Many public works across all sectors in Australia
- Rail projects include:
  - Kingsgrove to Revesby Quadruplication Alliance
  - Middlesborough Road Rail Separation, Melbourne
  - Trackstar alliance
- In the UK, under review by NEC contracts development panel

# Key Issues

# Areas of Risk for Major Rail Projects

- Politics, Policy & Public Framework
- Complexity
- Demand



# Lessons Learned

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- NETLIPSE - No one best way of contracting and procurement
- Customising the contracting philosophy
  - Transferring best practice
  - Railway industry interfaces
  - Project scale and risk
  - Value for money
- Consider criteria other than price
  - Use the creativity of contractors



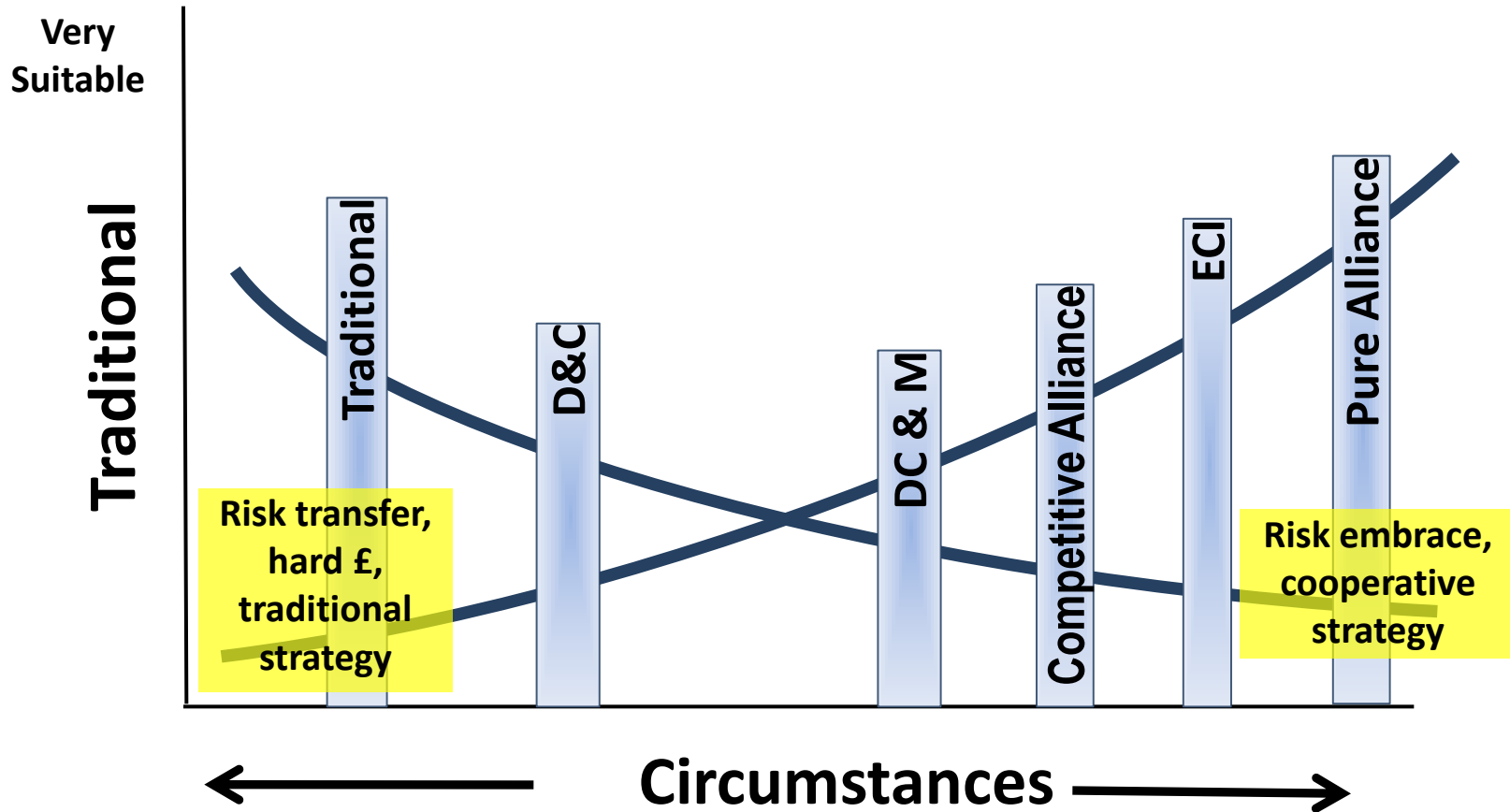
# Lessons Learned

- Allocating risk
  - to those who can manage them
  - Addressing uncertainty
  - Possession management
- Using incentives
  - Bonuses are usually much more effective than penalties
  - Innovate



# Conclusions

# Project Delivery versus Project Circumstances



# Conclusions

- No one ideal solution
- Trend is for more partnering and teamwork
- The future for PPP's?
- Alliancing

Thank You!

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