

# Delivery Partner Model 2.0 with former Roads Australia President David Stuart-Watt

## Transcript

**Kate (00:26):**

Welcome David, lovely to see you. Been a long time since we've caught up and we're in this environment rather than face to face, but still lovely to see you.

**David (00:33):**

Thank you, Kate. It's great to be here and good to see you as well.

**Kate (00:35):**

So we're here today, to talk a little bit more about collaborative contracting. The collaborative contracting model is one of my favorite models to work in, in a construction environment in a design environment. Is it one of your favorite models too David and can you tell us a little bit about what it actually is?

**David (00:52):**

Yes. Well, I think collaborative contract, it means a lot of things to different people, of course, but I think at the heart of collaborative contracting is relationships. And I think it's important that clients and their suppliers understand that concept of relationship and for projects that makes sense. But for programs, relationships can turn into longterm partnerships on the collaborative models. I think the other thing is that collaborative models allow our clients to reward performance and direct good performance to the outcomes and objectives that they're looking for. So there's a great opportunity with collaborative contracting for clients and suppliers to work really closely together with strong relationships, delivering outcomes that they want, but also managing and sharing risks. And I think that's a key focus of collaborative contracting, and I agree that it's one of my favorite ways of working as well.

**Kate (01:35):**

It's pretty fun. It's one of those models that where I think every day, you really like coming to work, which is quite different to the DNC type arrangement. The collaborative model really gets that team environment under control. What kind of models are you used to working within? Like what models do you know that are out there that we've tried and tested in, in Australia here?

**David (01:55):**

Well, I guess the first model that comes to probably most people's mind is when you say collaborative contracting is Alliance contracting, it's sort of tried and tested in Australia. And I think a lot of professionals have had the chance to work in Alliance, contract model. There are three different types of alliances, of course, but it's, it's almost a pure collaborative contracting model, but there are many others, of course. And it's not just a case of the difference between a hard dollar contract and collaborative contracting. You can introduce collaborative approaches into hard dollar contracting, and we're seeing more clients introduce performance based rewards into hard dollar contracts, introduce more risk sharing into hard dollar contracts and introduce more relationship and partnering approaches

that are dotted contracts, which is a good thing, but it's not pure collaborative contracting. Of course there are other types of collaborative contracting.

**David (02:37):**

Early contractor involvement is a great model that is used extensively in Australia. I think when you bring a professional design team and contracting same in very early in the planning phase on a project to work with a client in collaboration, as we say, then you can get fantastic outcomes in terms of solutions for communities, but also an opportunity to identify and work together, to manage those risks that are involved in projects. So early contractor involvement models are fantastic. There are project management contracts. There are EPC M contracts that around, but I think the latest model, which we believe is a great opportunity for clients is the concept of a delivery partner.

**Kate (03:10):**

I know for me, I've had quite a bit of experience in Alliance contracting and you're absolutely right. That is the first form that comes to mind. I think for most people we're very used to it here in Australia. The thing that I'm most interested in about is the delivery partner model that you talked about, and I know that you were very instrumental in bringing that into the Australian contracting environment. What is the delivery partner model? Can you tell us a little bit more about what that actually means and why is it different to alliancing?

**David (03:38):**

Yeah, it's interesting. A lot of people do get confused with partnering and delivery partner model delivery partner model was first used for the London Olympics. And as you can imagine for an Olympic games, you have fixed deadlines. And therefore the objective of the client there was to ensure infrastructure works and operational aspects for the games were completed by a fixed time, no excuses. You can't go past the time. I think the important difference with the delivery partner model is the concept of a client bringing in private sector capability and capacity to integrate with the client to manage and deliver projects and programs. The delivery partner virtually becomes the agent of the client and the client that actually understands the model well can delegate a lot of their authority to the delivery partner. As I said to act as an agent. So the delivery partner often isn't the delivery party.

**David (04:26):**

So they're not actually doing the works. They become the manager of works. The contractor of works, the procure of works for the client. And that's typically the model that's been introduced into Australia. And we're seeing it in transport, in water, in power, right across a broad spectrum of the market these days. And I think clients are understanding that longer term partnerships for programs can make a big difference to the outcome for them and more certainty in terms of time and cost. I think the other thing, when you're introducing a delivery partner, you've got to understand what you're trying to achieve for the London Olympics it was clear. It was time, but for many clients of course it's time and cost and outcomes and working with communities and all that can be done with a delivery partner. There's a few great examples in Australia where the delivery partner is also focused on other government outcomes that the governments were trying to achieve, including things like local employment, indigenous employment use of indigenous businesses, the use of a broader spectrum of contractors and designers in the marketplace.

**David (05:21):**

So tier one to tier five contractors are spreading of work across suppliers and making sure that suppliers all have an opportunity to work on government programs and all that is possible with a delivery partner model. And of course the other thing, the government buys is, is it a, you're not bringing a game, a very capable private sector partner. You bring in the depth of experience and knowledge of those private sector parties and their resourcing. It's very flexible model in terms of a partnership with a client. But remember it says delivery, but it's not actually delivering it. Most cases it's managing on behalf of the client.

**Kate (05:53):**

I really liked that thought about the whole adaptability and flexibility of the model. I think that's really important because often we're finding the clients, aren't quite sure where they need to concentrate their decision making and getting that structure in there. I think that's a really important distinction. Have we had a lot of success with delivery partner in Australia yet? Like has there been a project that comes to mind where we've actually used this model and we can point to it being successful?

**David (06:21):**

There's two that I'm aware of. There's the, Woolgoolga to Ballina motorway project in New South Wales, and there's a Lower South Creek Treatment program in New South Wales for Sydney water. Both of those programs are coming to conclusion now. I think both clients are delighted with the outcome that's being achieved in terms of delivering quality product for the community and working with the community and delivering to time. Sydney water in particular is very pleased with the use of the market and the product that's being delivered for them. So I think we're seeing some great outcomes there through the delivery partner. I think the other thing that the clients have seen on those projects is the private sector being able to reevaluate the program and the projects, and then put forward the best way of delivering them in a procurement and a contracting sense and also managing the interfaces that have been created and learning over time.

**David (07:08):**

So Sydney water, for instance, you know, as the treatment plants have been rebuilt, those lessons are being taken to the next plant and the next plant, and Woolgoolga to Ballina the same issue that the lessons learned have been taken beyond into new procurements, into new management approaches and into new contracts. And then where there are innovations in the program by one of the partners delivering works that shared right across the program. And that's a great outcome on both of those programs that we have at the moment with the delivery partner. I think we're seeing some good success already. Kate.

**Kate (07:37):**

I just wanted to talk a little bit more around the delivery partner model here in Australia and its comparison with the London version or the UK version? What distinguishes our model or the Australian version from the UK version? Are there any key things that make our model different and more current and more user friendly for Australia?

**David (07:56):**

That's a good point Kate. Because the delivery partner model that's being used currently in New South Wales is not the same as the London Olympics model. It's based on the delivery partner model that was used for the London Olympics, but it's clearly had to be adapted for Australian conditions, Australian

contracting approach, the delivery partner model that's being used in New South Wales at the moment also has a great deal of Alliance contracting components included in the contracting model. So it's almost a 2.0 a hybrid of the London Olympics model with the best of some of the Alliance contracting principles in Australia. It also has some harder dollar issues in there, but only just to tighten up the commercials which Australia is used to. And I think that the fact that the model was adapted by government, in collaboration with the private sector. And there was a lot of input by companies like WSP and Laing O'Rourke into the final aspect of the model before it was put into place. We have a model that actually suits Australian conditions. And that's typical of this country, we things but adapt them to local conditions and also local understanding. I think the other important thing is that procurement approach that is being used through the delivery partner model in Australia uses Australian contracting conditions and standard contract. There was an opportunity to go for a different approach, but to make sure it applied locally, we made sure that the marketplace understood the contracting model as well.

**Kate (09:13):**

You know, we might be a small country, but I feel like we actually have a lot to give with our experiences. And we do tend to take that more risky approach in order to make things work for us. Do you find yourself reporting back to our global friends on how these things work and what we're doing here, that is different and what is working better than perhaps the original model or the more constrained model has been advised around?

**David (09:40):**

Our Alliance Contracting model has been looked at by countries around the world. And the experience in Australia now is very mature. Ironically, after the W2B delivery partner model was contracted, that concept of the Australian version of delivery partner was taken to California and adapted for use on high speed rail there, the commercial model for that is exactly the same as W2B. There's no doubt about it that we're seeing other countries learn from Australia's ability to be at the cutting edge and innovative in contracting models and procurement methods.

**Kate (10:10):**

Fantastic. I like that story. Thanks, David. So David, just talking again more about collaborative contracting and the benefits of them. Can we talk a little bit about culture creation and the collaborative contracting environment and what that means for general delivery?

**David (10:24):**

I think it's a very important point Kate because collaborative contracting does allow the opportunity to bring high performing individuals from different companies and the client together to form teams and form high performing teams. I think we've seen that over the longterm in Australia and Alliance contracting where team forming and culture forming has been a critical part of the start of the Alliance contract and bringing the various parties together, including the clients. We've seen the client staff, being integrated into those teams and then the collaborative culture formed

**Kate (10:54):**

I just wanted to talk a little bit more about and point out the importance of the alchemy audit and what that means so that the people who don't really know what that means, you have those behavioural assessment scores when you're working in a collaborative environment. Can you just elaborate a little

bit more for people who aren't familiar with working in collaborative contracting models, what that behavioural assessment and scoring actually means in terms of the overall performance.

**David (11:20):**

The engagement scores that are used by independent consultants to write high performing teams. I mean, essentially it's a self assessment by the team of their performance, but every member of the team. So it's not too different to engagement scores that companies use to write the performance overall. And remember when you get large numbers of teams and on W2B for example, has been up to 300 staff working on the project. So it is like a small organisation. Those engagement scores have been demonstrated over time to have very good relationship to your culture and the performance of the team, because there are so many people rating the company, rating managers, rating themselves and their performance and every aspect of support that they get as an organisation and project cases as a team. So it's a very tried and tested method. It's assigned method used for organisations and because delivery partner teams tend to be a larger team. It really is a very good writing tool. So same methodology and the important thing is that the scores that you achieve can then be benchmarked, not just with other projects, but with other organisations. Something like W2B, we benchmarked the scores against Transport for New South Wales own scores, WSP's own scores, and Laing O'Rourke own scores, as well as with the marketplace. And that's how we compare. So a very useful and solid tool.

**Kate (12:35):**

Are there any changes you'd like to make to the model where you found that it was challenging and that the model actually didn't quite work?

**David (12:43):**

There are always aspects that I think you learn as you go through, particularly with new models, that there are lessons learned reports and programs being bought out of all of the delivery partner contracts that are in place at the moment. I think a lesson for clients is that when you're introducing any new model, that the client needs to brief themselves and their employees and making sure that their teams are carried with them and actually support and understand the new model. I think that's been difficult for all clients in the early phases of new models and particularly the delivery part. And I think that that is important that the client teams understand and support the model and are supported in managing the model as well. I think the other thing is that we've tended to, in Australia, take the whole performance KPI, KRA regime from alliancing because that's what we've known best.

**David (13:28):**

And I think it's been important on delivery partner programs that we have in place is to learn the lessons of how well they applied, what the outcome was and whether that made sense. We're definitely seeing changes and lessons learned by the delivery partner and by clients on the current programs. So that's an opportunity to make some changes there as well. The other thing is that working with the marketplace, we've seen some fantastic examples of partnership and working and information flow to the market, through procurement processes and contracting. And I think that despite, all of the great work that's been done is an opportunity to do that even better as we go forward with delivery partner contracts. And I'm sure as Water, New South Wales, you're up there, current delivery partner in New South Wales, they'll be learning all those lessons and taking them forward.

**Kate (14:10):**

Yeah, I think that's really important. I know just from my interaction on a global spectrum, Australia is really being watched in this space. So anything that we learn and reapply and adopt, I think is going to be really valuable and how we can sell that in a worldwide spectrum. Just listening to you talk there you sort of touched on it a little bit about what the future is for collaborative models. Do you think there's a strong future for collaborative models, such as the delivery partner and alliancing in Australia going forward? I know here in Victoria, there's been a little bit of scepticism around collaborative models that they don't often provide the best value money scenario. Do you think that the trust is starting to switch a bit and that government agencies are starting to see that collaboration actually is very functional and therefore we're going to start seeing more of it?

**David (14:58):**

I think you're absolutely right Kate and I think the New South Wales and Victoria and governments with their 10 point plan on improving procurement and contracting management have made a great start there. I think they're doing a review at the moment about implementation, but there's no doubt about it, that we are seeing governments like Western Australia embracing the Alliance contracting model even more. We're seeing alliancing used in Victoria as well. ECI in Queensland, a number of the contract has been talking about profitless boom in the last three or four years and there's no doubt about it that we want a healthy industry to be able to deliver infrastructure for government. And we've got to make sure that we get outcomes for our community, but also a healthy profitable industry. It is going to be here in the future. I think collaborative contracting can play a major part in that.

**David (15:39):**

I think the delivery partner is a great opportunity to add another string to our bow. It's not the panacea for old works, but obviously a suite of contracting models is important for clients. And I think the delivery partner is a critical additional string in that bow. I think the other thing with delivery partner that clients have found is that delivery partner has been able to help the client change their processes and improve their processes and particularly moving more into a digital world. And I think that's critically important as well, that when you're in a collaborative contracting arrangement, you can assist the client to improve their own processes and procedures because the collaborative model allows that that doesn't happen in a D and C model. So I hope we're going to see more. There's obviously a place for hard dollar contracting in our marketplace, but I hope we're going to see more collaborative contracting,

**Kate (16:22):**

I completely agree. I also think that it's going to be very relevant as we come out of the COVID environment. One thing that really concerns me and I don't think has been well thought through at this stage is about supply chain and how supply chain is going to really impact delivery as we come out of the COVID environment. Because yeah, sure we'll start to see businesses go back up to what they were in our old life, but it's going to take some time and I don't think it's been really well thought through. Do you think there's a place there for collaborative contracting to solve some of those potential supply chain problems?

**David (16:54):**

I absolutely agree. And I think, I mean, that was another benefit of the delivery partner model is the fact that the delivery partner can work with your tier one to tier five contractors in every aspect of the supply chain directly so that the supply chain and the smaller contractors are all contracted directly to

the client through the delivery partner. I think the delivery partner model is contractors. Plus all the suppliers in the marketplace. Our engineering consultants in the marketplace are all contracted directly to the client through the delivery partner. So you have that added protection. You have the direct relationship. I think the other important thing is that it assists in bringing the skills of those lower tier contractors and supplies up to a higher level to do work for the client in future. I think there's an opportunity to lift their capability and their company capability to do more work in the future. And I think particularly, as you said, after a COVID environment, it's important for the government to have more relationships with its supply chain and making sure that that supply chain is lifted in their capacity and capability to supply and deliver work for the government going forward. I think it's a great opportunity.

**Kate (17:55):**

Yeah, me too. I hope that we can work together on a collaborative contract very soon David. I can't wait for that. So thank you very much for your time today. I think you've prompted a lot of thoughts there and will hopefully prompt a lot of discussion in the future around this space and look forward to seeing more collaborative contracting in the future.

**David (18:14):**

Thank you very much, Kate. It's been great talking to you.