

Tseung Kwan O Extension – Hong Kong



1. Key Points

- Commitment from top management of all parties was the essential, key driving force;
- Used structured approach to get internal understanding and hence “buy-in” from client staff to give initial momentum to the Partnering initiative;
- Used carefully structured workshops, independently facilitated, leading to Partnering charters, which provided clarity and focus;
- Follow up workshops to re-energise the initiative and further develop the relationships;
- Monthly partnering review meetings and monitoring system to manage the process;
- Developed contractor forums to enable specific contract learning and experience to be disseminated on a project wide basis;
- Used social activities, jointly funded, to promote good personal relationships;
- Developed incentivisation agreements to move Partnering from being a relationship management initiative to being an effective tool for improvements to cost and programme performance;
- Partnering with jv contractors is more of a challenge and there is a need to focus more on understanding the relationships between the jv partners; and
- Partnering was at employer/main contractor level only. Benefits could possibly have come from extending the supply chain management down to sub contractor/major supplier level.

- Used partnering consultant John Carlisle Partnerships for workshop facilitation, coaching and strategic advice.

Partnering - A Practical Definition



Partnering moves from
Client versus Contractor

to



Client, Designer &
Contractor versus the Job



2. Description of Project

- Major extension to the Hong Kong MTR system consisting of running tunnels, 5 new stations and a maintenance facility, together with system wide E&M and railway systems contracts;
- Outturn cost HK\$ 16bn;
- Construction started in November 1998, first day of revenue service in August 2002;
- Civil contracts were mostly Engineer's design; Rail systems and M&E contracts were Design and Build. The Construction Management for all work was provided by the MTRC's Project Division;

3. Project Highlights

Prior to construction MTRC concluded that the traditional approach to project procurement led to conflict, waste and inefficiency. Projects achieved the required functional performance, but were expensive in capital, operating and maintenance costs. A barrier to cost-effective project procurement was a Hong Kong construction industry that was perceived to be overly competitive, over-regulated and lacking incentive to collaborate or improve.

Because of concerns over the Hong Kong construction industry's readiness for partnering, MTRC concluded that:

- Partnering could not be a quick-fix route to improved project management, more a commitment to improvement over time;
- Partnering should be introduced in stages;

The decision to introduce Partnering on the TKE was taken after the first contracts had been awarded. This meant that Partnering did not form part of the prequalification or tendering activities. MTRC's evolutionary and innovative approach was to address "soft" (relationship management) issues first, followed by commercial considerations later.

Internal buy-in and understanding was obtained first through a series of structured workshops, followed by external understanding and commitment. Only then was Partnering formally commenced with independently facilitated workshops on individual contracts, involving staff from MTRC, contractors and consultants. These workshops were used to develop an understanding of common goals and aspirations, which were then set out in Partnering Charters.

Partnering monitoring (scoring) systems were developed and monthly Partnering review meetings held with contractors. These concentrated on relationships, not traditional hard issues. The scoring system enabled three key things to happen:

- a) Monthly focus on the mutual objectives (hard and soft issues) and performance against these.
- b) An open exchange on differing perceptions of how well the team was doing.
- c) Common agreement on barriers to achieving the objectives and means to overcome them.

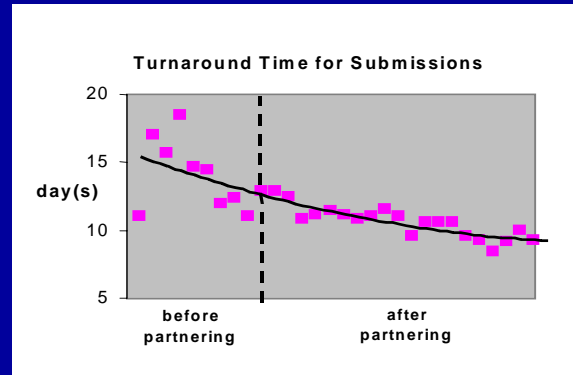
Workshops including interfacing contractors were also organised, establishing common goals and early understanding before new contractors started on site. These evolved into combined monthly Partnering meetings, focusing on geographical areas (stations or tunnel), not individual contracts. Interface issues were discussed in an open, cooperative and constructive manner, generating all round benefit.

MTRC and the contractors together established forums relating specifically to stations, tunnels, E&M works, safety and waste reduction and meeting regularly to discuss common interests, mistakes, solutions to problems and improvement initiatives. Collaboration in the Partnering forums enabled all parties, including contractors who would traditionally be considered as competitors, to benefit from others' experiences, working together for mutual benefit. Contractors who had been competitors became collaborators.

Formal workshops and forums were supplemented by social events, with costs shared. Events included BBQs, junk trips, 5-a-side soccer tournaments and 10-pin bowling. Partnering souvenirs were introduced to further promote the concept.

As a result of the improved communications there has been less paperwork and more discussion, clearer understanding of each other's goals, shorter response times, faster approvals, higher approval rates and less rework.

Quicker Responses to Contractors



After only 18 months, MTRC developed innovative, incentivised commercial arrangements on several contracts, with final accounts agreed, target costs set against risk schedules and pain share - gain share systems introduced, whereby MTRC and the contractors agreed to share savings or cost overruns. The agreements changed traditionally tendered contracts into incentivised target cost arrangements, with a creative approach to risk management. These agreements proved highly successful, with significant savings against the targets. Every target cost arrangement ended in a gain share situation.

4. Partnering Performance

Partnering contributed to the Project in the following ways:

- Achieved reduced project cost. The original budget was HK\$ 30.5bn. Outturn cost anticipated is HK\$ 16bn, with savings of some HK\$ 1bn attributed directly to Partnering;

TKE Success - Cost

TKE budget

- ◆ Original HK\$ 30.5 Bn
- ◆ 1999 HK\$ 24.0 Bn
- ◆ 2000 HK\$ 21.0 Bn
- ◆ 2001 HK\$ 18.0 Bn
- ◆ Out-turn HK\$?

Substantial contribution from partnering



- Significantly fewer claims than on previous projects and quicker resolution;


TKE Success - Claims

- ◆ Claims per quantum of works value

LAR	TKE
1	0.22
- ◆ Resolution of notified claims 6 months before completion

LAR	TKE
24%	85%
- ◆ Claims free contracts


LAR	TKE
1 out of 31	24 out of 34



- Access to fit out contractors given up to 10 weeks earlier than originally programmed;
- Railway opened 4 months earlier than commitment to HKSAR Government;

TKE Success - Programme

- ◆ Track Access up to 10 weeks early
- ◆ BS access up to 8 weeks early
- ◆ Overall completion 4 months ahead of date agreed with Govt.



- A significant improvement in quality – no physical defects identified during statutory inspections; and

