

PPC scores 1st in OGC review

The independent Partnering Contract Review commissioned by OGC from Arup Project Management has confirmed the compliance of PPC2000 with the OGC Achieving Excellence in Construction principles. Dr. David Mosey of Trowers & Hamlins reports on some of the findings of the Arup report:

Of the three contracts reviewed, PPC2000 scored higher than NEC3 and JCT Constructing Excellence in the overall rankings and in the category "Leading Excellence in Construction". This article summarises the Arup findings, and quotes extracts from their report.

The Arup report recognised PPC as a contract that

"seeks to place collaborative working at its heart and incorporates processes that it has innovated to encourage users to deliver projects effectively as part of a Partnering Team" (3.1.1).

It describes PPC as

"a procurement system that provides the processes and mechanisms for planning, procurement and delivery of construction works" (3.1.2).

The report recognises that users should only adopt PPC2000 if they understand the above principles and intend to apply them, and on this assumption suggests that the form

"can provide advance clarity of the sums of money and time that will be required to deliver a project"

and through its two stage process, can

"focus on value at all material points"

and

"still enable the parties to withdraw if the value profile is not satisfactory" (3.1.3).

The Arup report notes the creation through PPC of a direct relationship between supply chain members and its encouragement of supply chain management through two stage procurement. It also identifies the mechanisms in PPC to

"find methods to resolve points of difference in the interests of the delivery of the project" (3.1.5).

It notes in particular the role of the Core Group and the Partnering Adviser in identifying and containing disputes so as to ensure that they can be resolved and

"can refocus the Partnering Team on the delivery of the project" (3.1.6).

In difficult economic times when all projects may be subject to additional pressures, it is interesting that Arup observe that through the PPC processes

"it is expected that the parties will find that the terms of the contract profile a swifter and more cost-effective way of resolving points of difference than they might obtain from other dispute resolution mechanisms available such as adjudication or litigation" (3.1.6).

Other PPC features identified in the Arup report include the advance evaluation of change and the incentivisation of supply chain performance by reference to agreed KPIs. In addition, it is noted that the project budget and any other agreed objectives under PPC are

"to be taken into account when carrying out design activity" (3.1.8).

It is recognised that the impetus of PPC is for achieving early contractor involvement, albeit in a flexible structure that permits the client to procure design with appropriate members of the supply chain according to its wishes. Arup note that this approach should result in the client procuring its constructor

“at a point in the process where his specialist construction

and management skills can have a great impact on the project” (3.1.10)

provided, of course, that PPC is used from the beginning of the project and its processes are actually applied.

Arup recognise PPC as representing

“a complete procurement and delivery system that is distinct from other forms of contract available” (3.1.14).

They state that

“PPC is a thorough, innovative and comprehensive approach to contracting for construction works”, although they suggest that users need to master

“an appreciation of the interplay of detailed procedures” (3.1.14).

Arup describe PPC as offering

“a set of processes that provide a roadmap clarifying the deliverables required for a construction project” with the recognition of

“the need to manage and coordinate activity of those taking part in a project before the construction works are commenced” (3.2.1.2).

They highlight the value of the Partnering Timetable as a programme for this preconstruction stage of the project to guide such management and coordination activities.

As regards the multi-party structure of PPC, the Arup report notes that this is unusual but does not consider it a cause for concern. Arup state that through a multi-party structure the rights and obligations of all parties are apparent to all other parties, with built in consultation and input from other team members. They highlight the fact that PPC prompts the team to conduct appropriate value engineering, value management and risk management exercises – using a structure, format and outcome of which the detail needs to be agreed, and in respect of which the appointed Partnering Adviser should be in a position to offer support. They recommend that PPC users should invest time and energy required to take full advantage of the planning stage of the project in accordance with PPC and that

“if they do, then they increase their prospects of realising a successful project” (3.2.1.3).

The Arup report was submitted to OGC on 25 September 2008. It recommends that each of PPC2000, NEC3 and JCT Constructing Excellence in their different ways satisfy the OGC Achieving Excellence in Construction requirements. However, on the detailed scoring it is PPC2000 that comes out ahead of the other two forms.