

**ACA STANDARD FORM OF PROJECT PARTNERING CONTRACT**

**PPC2000 BRIEFING NOTE**

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## **PPC2000 BRIEFING NOTE**

PPC2000 is a form of multi-party contract, published by the Association of Consultant Architects, for procurement of capital projects in any jurisdiction. It is based on heads of terms devised by the cross-industry Construction Industry Council Partnering Taskforce, was drafted principally by solicitors Trowers & Hamblins and was launched by Sir John Egan in September 2000. It has since been adopted on over £8 billion of construction and engineering projects in the public and private sectors (see section headed “PPC2000 in Practice”).

The key differences between PPC2000 and any other published contract form are that:-

- it integrates all members of the Partnering Team under a single multi-party contract;
- it covers the entire duration of the design, supply and construction process;
- it includes new team-based timetables, controls and problem-solving mechanisms.

### **Integrated Team**

A multi-party contract puts the Constructor, the Consultants and Key Specialist sub-contractors/suppliers on the same terms and conditions through a single contract, so that they are fully aware of each other’s roles and responsibilities and owe each other a direct duty of care. This avoids the risk of inconsistencies, gaps or duplications otherwise present in a series of two party contracts and thereby establishes a much stronger contractual base for all activities. It also avoids the Client having to act as the conduit for communication and resolution of problems between other team members.

### **Integrated Process**

To obtain better value from Projects it is essential to harness the maximum input to design development and risk management from the Constructor and its Specialist sub-contractors/suppliers at the earliest opportunity. PPC2000 creates the contractual structure to achieve this by providing for the Constructor, Consultants and Specialist sub-contractors/suppliers to be appointed as early as possible in the design development process and to work in accordance with a single integrated timetable to achieve all necessary pre-conditions through to commencement of the Project on Site. As a project management tool PPC2000 therefore creates a clear structure and set of processes to govern the pre-construction phase of the Project, which is the time when value can be added by the Constructor, Consultants and Specialist sub-contractors/suppliers in terms of design development, value engineering of existing designs, value management by the assessment of alternative solutions, and analysis/management of Project risks with a view to reducing or eliminating their costs.

Flowcharts illustrating the PPC2000 processes are annexed.

### **Build up of Designs/Supply Chain/Prices**

The early creation of a team that includes the Constructor requires recognition of a Project Budget and the Constructor's level of Profit and Overheads, and therefore assumes the selection of a Constructor on the basis of qualitative criteria (which may include cost factors) rather than only a lump sum price. PPC2000 provides for the following logical sequence of activities:-

- (a) design development with Constructor input and (provisional) Specialist sub-contractor input;
- (b) analysis of Constructor Business Cases for any single source selection (through Direct Labour Packages or preferred Specialist sub-contractors/suppliers) and the open-book tendering of other sub-contract packages;
- (c) approval of each works package and agreement of whether Specialist Sub-contractors/suppliers will join the overall Partnering Team, in either case with the approval of robust fixed prices;
- (d) analysis and management of risks to reduce or eliminate price contingencies;
- (e) incentivisation of cost savings and added value proposals that derive from the value engineering of designs (where prices have previously been approved) or the reduction of risks (where risk contingencies have previously been approved);
- (f) the finalisation of an Agreed Maximum Price supported by an open-book Price Framework with a complete supply chain and the satisfaction of any other agreed pre-conditions to commencement of the Project on Site.

### **Risk Management**

PPC2000 provides not only for risk analysis but also for risk management, particularly during the pre-construction phase. It provides for:-

- review of each relevant risk with proposals for its elimination, reduction, insurance, sharing or apportionment as appropriate;
- notification of any proposed pricing of risk contingencies with proposals for their removal or reduction.

### **Project on Site**

The new processes under PPC2000, that continue not only during the pre-construction phase but also during the construction phase, include the following:-

- an Early Warning system as regards any problems in performance;

- advance evaluation of any proposed Change or any event of delay or disruption and a restriction on the Constructor's right to obtain additional Profit or Central Office Overheads as a result of delay or disruption (effectively the earlier involvement of the Constructor in an ordered process through to start on Site is a trade-off for having them exclude the right to make money out of later claims if there are problems on Site);
- operation of a Core Group of key individuals representing Partnering Team members, who are the medium for adding value through a partnered collaborative approach – if they can reach agreement (if they can't, the Project proceeds on the basis of the agreed documentation);
- a contractually binding Project Timetable governing the interface between team members during the construction phase, thus following on from the Partnering Timetable that governs those activities during the pre-construction phase;
- agreed incentives including financial links between achievement or non-achievement of agreed Key Performance Indicator targets;
- a structured approach to alternative dispute resolution including a Problem-Solving Hierarchy and reference to the Core Group and to conciliation or mediation;
- the use as appropriate of a Partnering Adviser to support the entire Partnering Team (rather than an individual member of it) in documenting their relationships and advising on the new relationships and processes in practice.

**Contrast with alternative approaches to procurement**

A number of the innovations in PPC2000 were already present to some degree in the NEC suite of contracts (e.g. early warning and advance evaluation of Changes/delay/disruption). PPC2000 has the benefit of taking these much further and achieving a level of integration not present in NEC or any other form of contract. It tackles directly, through full integration and timetabling of activities, the following risks that exist in any set of two party contracts:-

- protracted design development in the hands of Consultants without Constructor/Specialist input as to innovation/buildability/affordability;
- inadequate information issued to Constructors at tender stage so that they add excessive price for risk;
- inadequate time for tendering so that Specialist sub-contractor/supplier prices are estimated only (with further risk contingencies added) and so that Specialist sub-contractors/suppliers do not provide added value – because they are tendering to someone who has themselves not yet won the Project;
- hidden information as to the relationship between the Constructor and its Specialist sub-contractors/suppliers (by way of discounts etc.), “Dutch auctions” to obtain

cheaper sub-contractors/suppliers later and lack of open-book pricing information – particularly relevant if there are Changes or costs arising from delay/disruption;

- inability of team members to declare problems early and propose solutions, for fear of inviting claims;
- absence of advance information in relation to Changes or delay/disruption, to enable the Client and other team members to mitigate their effect;
- absence of binding timetables, with the result of misunderstandings and consequent delays;
- absence of alternative ways of resolving disputes, thus encouraging the risk of adjudication/litigation/arbitration.

### **PPC2000 in practice**

PPC2000 was adopted initially by housing associations and local authorities on, primarily, housing schemes. It has since spread very quickly to other types of project and other sectors, including local government and central government programmes for schools, hospitals, leisure facilities and other public buildings, and also for highways and engineering works, and extending to private sector clients such as BAE Systems and Virgin Trains, and a variety of other organisations such as banks, commercial developers and universities.

Projects and programmes that have adopted PPC2000 include:-

- (a) The Whitefriars Housing Group £240m programme in Coventry, which has achieved significant reductions in time and cost savings;
- (b) Several hospital projects (operating theatre programme, ward extensions for Poole Hospital NHS Trust);
- (c) The £8m Raleigh Square project for Metropolitan Housing Trust to provide environmentally friendly offices and housing in Nottingham;
- (d) A programme of £40m of integrated refurbishment and repair works for Welwyn Hatfield Council, which has achieved cost and time savings recognised in the District Auditor's reports;
- (e) British Aerospace on a £1.34m project for office and production facilities;
- (f) Places For People on a £5m tower block refurbishment in Newcastle, where the Partnering Contract enabled them to overcome at minimum cost/delay the insolvency of a Specialist cladding sub-contractor;
- (g) The £5m Watergate Special Needs School in Lewisham, which has been accepted by DFES as a benchmark project;

- (h) A £575bn programme of public buildings works and highways and engineering works set up by Durham County Council;
- (i) Station refurbishment and retail projects undertaken by Virgin Trains;
- (j) A programme of newbuild housing undertaken by Western Challenge Housing Association, where the use of PPC2000 enabled the team to survive the insolvency of a Constructor.

Many of the projects adopting PPC2000 involved private funders, including for example the £240m Whitefriars programme. In addition PPC2000 has been accepted by PI insurers and by a wide variety of consultants and constructors and specialist-sub-contractors.

Use of PPC2000 is growing, particularly in Central Government and the private sector, where recent examples include:-

1. The successful use of PPC2000 on a £500 million rollout programme for the Department of Work and Pensions in conjunction with Land Securities Trillium, which won two government awards for procurement and health and safety;
2. A £3 billion national prisons programme run by H.M. Prison Service with panels of consultants and constructors across the UK;
3. Several airport refurbishment projects undertaken by Manchester Airport Group;
4. A £40 million leisure and hotel development undertaken by De Vere Hotels in Scotland;

International projects using PPC2000 these include:-

1. A hotel project in the Arabian Gulf;
2. A series of bank projects in Africa;
3. A proposed British Embassy project.

There is growing interest in the use of this form of contract in Singapore, Japan and Australia.

### **Conclusions**

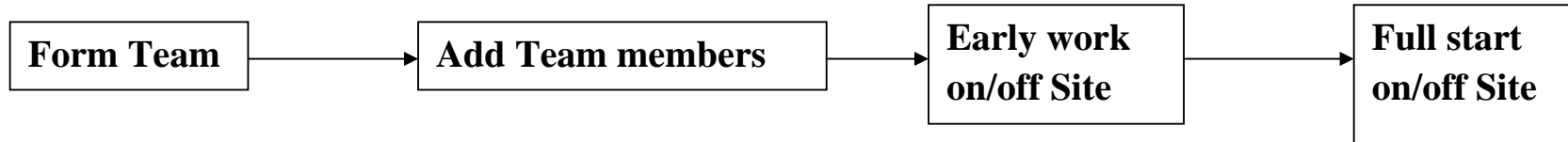
PPC2000 is a medium to achieve greater integration and better results in the procurement of any Project. It requires and rewards closer Client involvement in an integrated Project process leading to:-

- removal of gaps/duplications between team members and avoidance of confusion and wasted time/money resolving these at a later stage;
- clear timetables through to start on Site and resultant savings in cost;

- earlier Constructor and Specialist input leading to innovations and efficiencies with the potential to improve quality/reduce cost;
- more open cost information to establish price accuracy, removal/reduction of arbitrary price contingencies, and closer control over the consequences of Changes and unforeseen events;
- improved performance of Constructor/Consultants/Specialists through early creation of a Partnering Team supported by improved communication and mutually compatible roles and responsibilities.

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**February 2005**  
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## PRE-CONSTRUCTION PHASE FLOWCHART



Need to agree:

- Project Brief/Proposals
- Budget
- Constructor Profit/Central Office Overheads/Site Overheads
- Other Known Costs/Proposed Risk Contingencies
- Known Specialists' Roles/Responsibilities
- Consultants' Services/Fees
- Professional KPIs/Incentives
- Partnering Timetable

Need to agree:

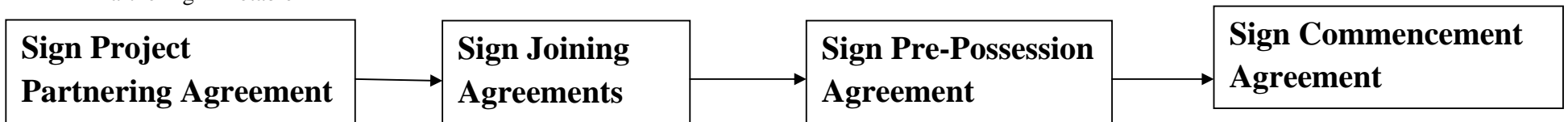
- Joining Party
- Works/Services
- Payment Terms

Need to agree:

- Pre-Possession Activities
- Price
- Timetable

Need to agree:

- Agreed Maximum Price
- Sufficient Designs/Supply Chain Packages/Price Details in Project Proposals and Price Framework
- Project Timetable
- Final KPIs/Incentives
- Other preconditions



- Design Development/Supply Chain Selection/Build up of Prices →
- Risk Management/Value Engineering/Value Management →
- All activities undertaken in accordance with Partnering Timetable →
- All activities undertaken by stated members of Partnering Team/Design Team/Core Group →
- Partnering Adviser advice/support as required →

## CONSTRUCTION PHASE AND PROJECT COMPLETION FLOWCHART

