Highways England’s Smart Motorways Alliance

Highways England has announced plans to procure Smart Motorways through a ten year alliance arrangement, as part of a new business model expected to deliver £400m-£600m a year of work.

New procurement model

Highways England plans to adopt a new “pure” alliancing model to deliver smart motorways. The proposed model is a shift to pure alliancing of the type operated in the water industry by various water authorities and used by Network Rail to deliver infrastructure programmes and major projects. This is a radical new plan for highways. Highways England consulted with the industry regarding this intended approach in July 2018.

What is “pure” alliancing?

Alliancing is a procurement method originally used in Queensland, Australia where two or more parties work together to achieve a common goal and share risk and reward. An alliance may include consultants, contractors and the client (as a member of the delivery team as well as the asset owner).

The common key features of a “pure” alliance agreement include:

+ A management team or alliance leadership team (comprised of members of the alliance) directs the alliance and makes key decisions. In some cases all decisions must be unanimous with limited recourse if decisions cannot be made.

+ Payment is usually on a target cost basis i.e. actual cost is paid subject to gainshare/painshare if the actual cost is less than/more than the target.
Incentive monies are awarded for key behaviours/drivers being achieved.

A no blame/claim environment, including the exclusion of the right to claim for losses other than in limited exceptions (e.g. termination, repudiation, wilful default and non-payment).

An “Alliance Charter” with key behaviour requirements, aims etc.

For further detail, see our previous publication on the risks and benefits of alliancing here.

Smart Motorways Alliance

For the Smart Motorways Alliance, Highways England aims to team up with three tier one contractors, two designers and a logistics specialist to create a "production hub," which would operate under an alliance board. The Highways England alliance approach would aim to tackle duplication in the procurement process, which is positive news for the industry.

Highways England is also seeking a "production line approach" making greater use of standardised design, using a planned programme with a level spending profile for greater continuity of work that can drive greater standardisation of design and use of offsite construction. Highways England hopes that the alliance approach will lead to big savings by driving innovation and lowering man hours spent on site.

The Smart Highways Alliance is another part of Highways England’s Routes to Market Strategy following the tendering of the Integrated Delivery Partnership framework earlier in the year, which also involved increased collaboration between the project team, with contractors expected to align with a lead design consultant.

Depending on the outcome of budget talks, the Smart Motorway Alliance could deliver between £400m-£600m a year. The Smart Motorways Alliance is expected to last for 10 years covering the roads investment strategies RIS 2 and 3 running from 2020 to 2025 and 2025 to 2030.
Watch this space

An invitation to tender in relation to the Smart Motorways Alliance, confirming the details of Highways England’s approach, is expected to be published this autumn.

Whilst alliancing has been generally successful in the water and rail industries, given the shared risk and reward and the limited access to dispute resolution procedures, it requires a very different mind-set to traditional procurement methods and gives rise to different risks. Alliance agreements are also very complex. It will therefore be important that the invitation to tender in relation to the Smart Motorway Alliance, the proposed alliance agreement and any related documents are considered very carefully.

The NEC has also recently embraced alliancing, with the NEC4 Alliance contract published in July 2018 after industry consultation. We will be providing a briefing note on the NEC4 Alliance Contract shortly.

Beale & Company has significant experience advising on alliancing agreements in the water and rail industry and we await confirmation of Highways England’s approach to alliancing in the Autumn with interest.

August 2018

If you have any queries regarding alliancing or for more information please contact

Will Buckby  
Partner  
T: +44 (0)20 7469 0411  
E: w.buckby@beale-law.com

Andrew Croft  
Associate  
T: +44 (0)20 7469 0412  
E: a.croft@beale-law.com