

# Partnering Program Saves ADOT Millions

Arizona's Department of Transportation, like others around the country, spent much of the last several decades buried in litigation. At the start of the 1990s, ADOT had 60 unresolved claims totaling nearly \$40 million.

In addition, major construction projects were consistently running behind schedule, with no incentives for change. Administering construction contracts—about \$1 billion worth—was proving more and more difficult both for ADOT and the Corps of Engineers.

In frustration, the Corps of Engineers and ADOT asked a state university for help in developing a model for administering construction contracts more effectively. They were put in touch with Charles Cowan, a colonel in the Corps of Engineers known as a champion of the partnering model, and invited him to speak at a two-day conference.

At that conference, 750 participants from Arizona's transportation, engineering, and construction sectors learned about the strategy and benefits of partnering, said Ginger Murdough, who now heads ADOT's partnering section. "They decided then that this is the way we're going to do business in Arizona."

Partnering, as defined by ADOT and the American Association of State Highway Transportation Organizations (AASHTO) is a process of collaborative



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teamwork to achieve measurable results through agreements and productive working relationships. It is seen by many as a form of risk management in which participants jointly develop a vision of a project, then use that vision to identify and manage the risks and general direction of a construction project.

At the conference in Arizona, participants' initial hope was that partnering would enable ADOT projects, most of which were ending at least 8 percent behind schedule, to finish on time. "We hadn't done a lot of measurement or benchmarking at that stage," Murdough said. "We had the knowledge that we weren't finishing on time, but that was it. So that issue alone was reason enough to try it."

As partnering got underway, ADOT began tracking those projects and how many days were being saved. "The results were amazing," Murdough said. Projects started finishing not just on time, but ahead of schedule, and the number of claims began to dwindle. In addition, ADOT no longer needed a "claims group." Instead, the focus shifted to building partnerships, and a "Partnering

Team" emerged.

Today, says Murdough, after more than 1,100 partnered projects, ADOT has stayed out of litigation on construction claims, and projects are finishing 8 to 10 percent ahead of schedule. Overall, partnering initiatives have saved ADOT up to \$35 million.

The success is due in large part to resolving the issues throughout the project, Murdough said.

"A collaborative environment allows people to be creative," she said. "In Arizona, ADOT and the contractors worked out incentives that boost productivity and quality. Contractors have the opportunity to earn incentive payments based on their performance. They can earn the incentive and the public benefits because the project is delivered more quickly and with the same quality."

ADOT's "issue resolution" process provides a method of working through issues jointly as they arise, while also documenting the issues so parties have records, in the event a case goes to arbitration. "People do file claims," Murdough explained, "but they go through the issue resolution process, so most issues get resolved without arbitration."

Issue resolution at ADOT involves a ladder approach with four "levels of empowerment." At the first level are project stakeholders (including key stakeholder groups, field-level partners, ADOT foremen, inspectors, etc.), who work to resolve issues among themselves. If they are not successful, the issue goes to resident engineers and contract managers. If unresolved at that level, it escalates to the district engineer or the contractor's regional manager. From there it moves to the final level—the state engineer's office and the contractor's CEO or president.

Cases still unresolved go to arbitration, then litigation. Since 1996, three cases have had formal arbitration. None have been litigated.

Murdough said resident engineers have up to \$50,000 to spend on resolving issues. District engineers are empowered to resolve issues up to

ADOT PARTNERING CONSTRUCTION CONTRACTS SINCE JULY 1991	
Completed contracts	1,140
Contract days saved	15,405
Average time saved	8.2 percent
Construction engineering savings	\$27.6 million
Construction value engineering savings	\$7.9 million
Over-project bid amount (including contingencies, incentives/bonuses, revisions, omissions and additional work paid by others)	9.8 percent
Arbitrated construction claims reported since 1996	3
Total Construction Dollars	3.2 billion

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\$250,000. Ground rules, established at the beginning of each partnership, set a specific length of time the parties may spend at each level. ADOT provides printed material to every stakeholder describing the “resolution steps,” and outlines the process for people entering it for the first time.

“An important piece of information,” says Murdough, “is that there’s no shame in NOT resolving an issue.” The escalating

process is set up to handle any outcome.

Critics of ADOT’s partnering plan, and construction partnering in general, worry that such programs are expensive and bureaucratic. But Murdough says the data in Arizona don’t support those claims.

“It actually saves money, because it provides opportunities for value engineering, early completion, and zero or low legal costs” she said. “Because ADOT splits value

engineering savings with the contractor, there’s an incentive for the contractor to come up with ways to save money.”

After a decade of work on a successful partnering program, and in following the experiences of other states, Murdough is unwavering in her support for the process. “Partnering works,” she says. “But you have to have a major commitment to this. It takes a lot of effort.”

## *Caltrans Offers Partnering Resources*

The Partnering Steering Committee of the California Department of Transportation has produced a video to use in training field personnel and crews on the approaches and benefits of partnering.

Caltrans, which has a successful con-

struction partnering program, also offers a comprehensive “Partnering Field Guide” that walks users through every aspect of carrying out a Caltrans partnership. Find the guide at [www.dot.ca.gov/hq/construc/partnering.html](http://www.dot.ca.gov/hq/construc/partnering.html).