

# **Alliance contracting in maintaining public areas in Helsinki**

## **1 Introduction**

The economic situation forces municipalities to be more cost effective. This can be achieved through evaluation and enhancement of current processes and procedures. In addition the expectations of citizens regarding the quality of service provided have been increasing and the people would like to participate more in the decision-making than before.

The field of maintenance needs new methods and new ways to operate.

Therefore the city of Helsinki has used alliance contract concerning maintenance of public areas, streets and parks since 2014. Targets of the alliance contract is to improve satisfaction of citizens, allocate the funds more effectively and develop the new methods for maintaining public areas.

## **2 The alliance contract**

The alliance contract area is the neighbourhood of Pakila with 30 000 citizens and the contract includes all maintenance work on street and park areas with 115 km of streets and 52 ha of parks (including playgrounds and dogparks). The area is mostly residential area consisting of detached houses, kindergartens, schools, hospitals and industrial area. Winter maintenance including ploughing, de-icing and snow removal takes up the majority of the budget.

One important part of the alliance model is to establish a collective organisation which puts the contract into action. The leadership team makes all the strategic decisions and the alliance project team is responsible for daily activities.

In the alliance model risks as well as benefits are collectively shared with the owner and the contractor. Commercial framework consists of direct costs and project specific overheads, normal profit and corporate overheads and a performance pool. (Morwood R., et. al. 2008).

The owner, the city of Helsinki, has placed the following key targets regarding the whole 5-year contract period. The targets are to improve satisfaction of citizens, allocate the funds more effectively and develop the new methods for maintaining public areas.

- a) Quality level: Citizen satisfaction regarding maintenance work will improve during contract period.
- b) Productivity: Quality level of maintenance will stay on current level, even though the budget won't increase aligned with the level of costs.
- c) Development: Methods, techniques and processes of maintenance will be developed to achieve better quality purchasing, to improve cost awareness and eco-friendliness.

The annual target cost for the project is 1.4 million euros and the annual amount of bonus pool is 45 000 euros. The accomplishment of the annual target cost and key result areas are evaluated annually, as well as the contractor's pain/gain share.

Commercial framework and "best for project" decision making are the basis of all operations. Maintenance shouldn't be regarded as a separate project, like construction, but rather as a continuous process. Thus target costs and key result areas are evaluated annually, not only once after the project.

The project development phase lasted for four months and during that period a detailed maintenance plan, key results areas, a target cost for the first year and a contract with the subcontractor were made and the alliance organization was formed. The project execution phase started in October 2014 and will last for five years until October 2019.

### **3 Outcomes during project**

Currently the alliance project has continued three years and some key findings are already visible.

All targets that client set in the beginning hasn't actualized yet. Some improvement during three years has happened. Key result areas are evaluated annually and importance of areas are varied between years. Client's cost knowledge has improved and being part of negotiating with sub-contractors has been worthwhile. Communication and co-operation with contractor is more open than before and solutions to problems are found together.

Different ways to communicate with citizens are increased, "the jury of citizens" gives monthly feedback according to level of service of maintenance. As well new events has arranged (for example one with kindergarten) and different ways of social media are used all the time.

One of the advantage of the alliance is the cost guidance: money are used by "best for area" –method and that has allowed for example to renew playground areas in neighborhood.

Continuation of the alliance in Pakila area was not agreed, since alliance model was remarkably more expensive and no difference in customer satisfaction was noted compared to conventional models. Thus contracting model is quite heavy, some areas need more precise evaluation, for instance the commercial framework and pain/gain share, as well as key results areas.

### **4 References**

Morwood R., Scott D., Pitcher I. 2008. Alliancing a participant's guide. Aecom. ISBN 978-0-646-50284-7, pages 161.

**KEYWORDS:** Alliance, maintenance