Appendix Seven – Incentivisation Interview Transcripts

Interview Transcripts

Project A

Interview Questions for 300565 – Cost Manager

1. Egan used 15% for the gain-share pain-share. What do you feel about this?
2. Do you feel the percentages for pain and gain should be the same?
3. How do you feel this works?
4. Incentives are said to encourage the project to be brought in below budget. Does this mean the project is successful?
5. How accurate do you feel the target costs are?
6. How are the target costs calculated?
7. When is the best time to set the target cost?
8. Why is this the case?
9. Does the use of incentives provide the quality required by the client?
10. Do incentives work?

Reply

1. I think that to be honest, probably in terms of fully acknowledging that it was 15% or not I think that the gain pain share. Which I think was one of the subsequent questions, there's a lot of varied opinions a the whether it should be equal or not, without a doubt. Particularly we find with a lot of partnering contractors if the pain share is sort of twisted to be one larger pain share as opposed to gain share then it makes pricing a much more onerous or risky task.

2. So by keeping the percentage the same without a doubt it will make the partner feel as though they are in a better position in terms of what they may gain or what they may gain or what they may sort of lose.

3. Well its we've, perhaps to elaborate a little bit more on that. If you have a got a gain share which is skewed in terms of say 50% gain share 10%. Sorry. 50% pain share 10% gain share you know the contractor or parties will say for everyone they lose they will need to the next 5 to win just to draw even. If it is a 50 / 50 sort of split, whatever the percentages are the well it can only be 50 / 50. Sorry. At least one goes well and the other goes bad within 1-2 projects there's a chance to break even in the overall aggregate cumulative position.

4. No, I think whilst incentivising a project is good and it drives lots of behaviours into them. Sort of partners wanting to because there incentive is to make a little bit more in terms of the gain share at the end of the day you know the project needs to be set at the right level within the right scope, and a successful project is having the right product for the right value or the right price. Just bringing something in a little bit cheaper. Sometimes can drive behaviours of not necessarily cutting corners but getting slightly less of a product and although with sort of budgets tight in every environment you work in. Without a doubt or unfortunately one of the things we don't do enough of is look at the longer term in terms of life cycle costs. And say well if we can only spend another 5% on this we could , this project would last twice as long, kind of thing, or whatever. So you know I think the incentives are good they do assist in bringing in within budget but sometimes they can perhaps drive slightly the wrong behaviours in terms of, if you were drastically going over then obviously partners would much closer to see how they could pull it back.

5. Well theoretically we should say that target costs should always be accurate you know. I think if you enter into any partnering sort of ethos, environment you have got to set target costs which are challenging but can be beaten, because at the end of the day, we don't want any partner to suffer pain because that would drive the wrong behaviours for the subsequent projects and so on and the whole point of incentivisation is to set something or set a structure, a strategy where it is challenging but realistic and if something can be bettered that little bit more everyone takes a share in it, everyone wins. Back to the win, win scenario. Yes for me in terms of improving target costs I would like to say everyone is pretty accurate but the nature of civil's because it is in the ground obviously there are fluctuations and things do sort of vary. Some things you see and some things you don't it's probably the nature of the industry but you know, for me it every contractor I have worked with I would like to think we could get them into a gain position, that only just, something up to 5% certainly not past otherwise without a doubt the proof of the is in the pudding in terms of the target cost is beyond the variance is beyond that then the target cost wasn't set realistically.

6. Well in terms of sort of business of perspectives as a practice, different partners may approach it slightly differently, but ultimately it's on first principles and I suppose it depends on the type of work that you do and the longevity of the programme. We've on the particular project that I am working on the particular project that I am working on now it's been in existence for 5 maybe even 10 years

in terms of the programme is 5 but there have been 2 programmes very similar. One following the other, and you would like to think that after a certain number of projects or a certain number of years you would be able to not just use first principles, whilst we would look at using first principles it should be informed by previous jobs and maybe we should be able to point to the longevity. After a few years we should be looking more so at a generic rate based on historic schemes and putting perhaps risk to achieving those generic rates rather than always working from first principles the only option but you know to me in terms of the, if you are in for a reasonable period in terms of a programme of works you should be using much more, sort of standards sets of rates and component rates rather than always reinventing the wheel on every single new target that's the theory anyway. So there we go.

7. I think it depends on the type of job and we deal with quite a range of projects from sort of fairly basic pipe refurbishment projects which are very similar in terms of sort of methodologies obviously the locations will vary and that goes back a little bit to the previous question you may have a sort of fairly standard rate for refurbishing a pipe or relaying a pipe of a certain diameter or what will make the difference in rate will be its location and that will be the risk of achieving an output or not. In terms of the best time in setting the target. I suppose with that in mind you might with on pipe line schemes probably fairly sort of when the design is sort of 60 / 70 / 80% complete depending on the type of job, but there are other sort of process works we get involved with which can be in excess of 10 million and we quite often get to site, where the main sort of strategy of the processes is agreed but a lot of finer detail is not but on saying that the sort of key components are understood and how they are assembled and the latter bits of design probably don't alter that much in terms of the value so it really does depend on the type of work.

8. But without a doubt I think the earlier involvement with everything is probably the better and if that can mean the target is set that little bit earlier then there is some advantages as well because obviously it means that everyone is striving much more to a point to make those improvements.

9. Well I think some of the key things for me are that that the incentivisation only works if you start the thing off properly in terms of you get the right partners on board you have the right programme for the partners to work on and the two sort of fit together inevitably lots of clients in terms of the framework partnering sort of agreements they tend to be more utility type and larger sort of organisations where

they probably have certainly in utilities standard details, standard qualities and directives in terms of environment agency or the drinking water inspectorate and so on and so forth, so the fact the quality is always predetermined in terms of set standards of hygiene and quality assurance and so on. So I am not sure how those two really link for me and I think that if you have got a client who has certain standards he brings in contractors and has automatic standards that need to be set so incentivisation in a way is something that is a bolt on to doing a little bit better and beyond those parameters already set. However at the end of the day, I think if you have got the right people on board if you have got those standards set you can still incentivise and you can still drive, shall we say cheaper or better value products but obviously that fits with the client but its about getting it set upright and getting the right people and the right structures in place.

10. Well I suppose I have kind of part touched on that from the previous question incentives without a doubt do work. They incentivise people to do better than they would originally predict it goes back to you know if the target is set properly and you have the right people in place incentives are inevitably going to drive behaviours that and improvements to slightly better profit margins or sort of give make the client feel he is getting a better deal himself is perhaps providing a good business case for continuity with that partner for that client in the future quite often you sometimes do talk to partners that say that the incentive is whilst it is a bonus it does not necessarily always work because. It depends how it is set up I suppose there are different types of incentives whether it is specific to a job worth a million or an overall programme in terms of completions on time and finishes so I mean I suppose they do work as long as they are set up properly and the real drivers of the client we understood. You know whether it is going back to sort of governments deadlines in terms of finishing stages at certain times whether it is more retail it's about finishing various stages at certain points for openings and the likes, so it depends how you set it up you can perhaps get into much into a point where you miss the more strategic wider picture. So it is making sure you set it right so it achieves everyone's objectives rather than just making a few pounds against a few stages may not keep the wider picture on the horizon so well.

Interview Questions for 300464 – Cost Manager

1. Egan used 15% for the gain-share pain-share. You suggested using different percentages for pain and gain, do you feel this works?

2. Incentives are said to encourage the project to be brought in below budget. Does this mean the project is successful?
3. How accurate do you feel the target costs are?
4. How are the target costs calculated?
5. When is the best time to set the target cost?
6. Why is this the case?
7. Does the use of incentives provide the quality required by the client?
8. Do incentives work?

Reply

1. Yes I think it's a reasonable you know each job is different obviously. But I think that's a reasonable percentage overall. I can only say that each job is different, different risks.

2. Yes, I cannot see anything wrong with that, no.

3. Yes as long as it is brought in without too much value engineering to the detriment of the contract and the guidelines.

4. I can only speak on this project A works and the last year we have tightened up and I think we have a better method of calculating them so I think they are accurate, yes. Well it runs a little bit with three the last year we seem to have tripped down and got on the same mind set for taking off and calculating it. So basically on a measurer value taking off from the drawings and output compared to the programme and myself and the contractors estimators acknowledge that there outputs are reasonable and accurate.

5. On completion of a reasonable set of target cost drawings. Construction drawings sometimes we have tackled projects early doors, when it's just a couple of bits of lines on a piece of paper like a scheme deficit thing.

6. I think its ok for an idea but you need an accurate set of target costs/ construction drawings to know to give a fair evaluation.

7. Yes although sometimes I am concerned in that the contractors are left to their own resources i.e. there is nobody from the client's side supervising the work. I think human nature says you cut corners and time will only tell about the quality. You know if you get failures a few years down the line time will tell. But I think there is nothing wrong with giving people an incentive, its human nature, is good but sometimes I feel the

client should have some sort of representative there just to check the quality of the work. As I said, nothing wrong with incentives give a dog a bone and give them bonuses to get it done but sometimes when they are not being supervised there is a danger then of corners being cut out and time alone will tell if the product is not up to the required standard.

8. Yes, Yes, definitely if a company knows that we have to get stuck in and complete this project early and we will make money rather than a manyana culture of oh well we get paid anyway. I think everyone gets you know, with an incentive but I would like to see a representative from the client Project A managing the work.

Interview Questions for 302181 – Project Manager / Cost Manager

1. Egan used 15% for the gain-share pain-share. You suggested a using different percentages for pain and gain, do you feel this works?
2. Incentives are said to encourage the project to be brought in below budget. Does this mean the project is successful?
3. How accurate do you feel the target costs are?
4. How are the target costs calculated?
5. When is the best time to set the target cost?
6. Why is this the case?
7. Does the use of incentives provide the quality required by the client?
8. Do incentives work?

Reply

1. Right. I would be non-committal on what the percentage should be. The problem we are finding when we are actually working in option C than is that the payment mechanism we are working with, kind of … I don't know if you have seen my explanation. See I spoke of pain gain it's an imbalance essentially if Project A set a business plan up and if we set the target cost value the pain gain is 10% on any profit and 50% of any loss and when you work through those maths through, if you, if a lot of your jobs are over business plan and I am not being ………………………….. project A set this. If you lost a pound on a theoretical job you will pay 50p but next 5 jobs or the next job which ………………. Business plan you need that job to make £5 profit just to square the books up. To cover your 50p loss, now that's like a cancer in the system. People, senior management don't recognise it, but if you make your pound back, not to make more money you have to have made 500% on the next target cost and therefore makes the commercial managers role which is supposed to be

independent, very hard because people, quite understandably need to cover ……………. . So perhaps I'll be non-committal on 15% of the gain , it is more of a fundamental question of fairness. So if it was 10% split or 15% it is how the contractor can make that money back on the next job, so if he has got 15% shares of the gains he should only pay 15% of the losses and therefore any 2 projects can balance themselves out and its equal then for the client as well you know. I don't know if that kind of answers.

2. Yes it does but we need to understand how it has been brought in below budget to say it has been successful, the contractors here are very aware of design development and what happens is, when we set the target costs people, rather come up to see the drawings …………. target, do we really need that or can we ………………. Use their imagination. They stand back and be quiet. As soon as they start on site, then they bring those questions up. Ok, so they challenge late because essentially there is a financial reward by staying silent so it should be that the project is successful but human nature has a canny knack of looking for opportunity completely against the ethos of partnering, but that's what we are having but in answer to that it should be successful. But obviously you need to be aware of what I am putting across. There are pitfalls there that not necessarily quite, quite right.

3. Well being honest with you, not very now when you say how accurate, with market rates? Not very again also with the Project A situation, Project A does not have any one out there making sure the quality of the work is right and that they are doing exactly they are and not cutting corners we know there is a lot of cutting corners going on out there and we know that there is not very ………………… very very and generally it does not matter how fat the target is they tend to spend right up to that target, which seems to be the real world prices we are somewhat inflated now this is supposedly a benefit we have to pay a bit more because of the better ….. to be honest with you ………………………… I think the prices are over.

4. We set the target at 70% design. Now how do you measure what 70% design is, is beyond me. But that's the kind of thing. I don't think it is the best thing to do in terms of financial ………………… because obviously the other 30% could tie the contractor down to costs that extra 30%. I think is a lot of financial cost to the contractor. Which he is contracted to do for the price he has set and their problem is the tendency than is the contractor has got to cut costs so personally I don't think setting early is the right way and then you have got more scope for it, it directly affects how accurate the target costs are because then you make real broad assumptions, which then prove to be

completely wrong, what assumptions, it could make a lot of money one way it could lose a lot of money the other way and then what …….

5. I don't think so. The problem we have in Project A as I have said before complicates things really the contractor…. The quality is not that hot, if the most important thing one issue you have not picked up on yet is trust and honesty. If you haven't got that it doesn't matter, its absolute. We are in an absolute nightmare because of this sort of problem. There is no trust there is no honesty and openness. Therefore for example we can't get accurate costs. We have made it ever so easy to report it we cannot get actual costs back they are not open. As I said it goes back to point 1 or 2 where we said about not being honest with target costs. We don't need it. It's not the right way and therefore it becomes a cancer in the system and it bogs the system down. The system stops everyone is looking where am I being caught this time. You know, and if you don't set that, and I think the trust, openness and honesty is a derivative of the pain gain mechanism because people are having, if they have lost 10 thousand pound on a job the next one below business plan, that needs to be 50 thousand pound over and therefore all the system fails breaks down totally and that what I think is the problem with incentives.

6. Yes in practice. Yes but again …………… 7% now they obviously believe that 7% is not enough therefore they want to make more money they swap through faster better …………….. so. They should work but it goes back to what is your game plan. You may have said you have a certain game plan but what on earth. We have had major changes in the last 2 or 3 months. One director has been got rid of there's a new director in. Who is hoping that, as a team we all have common goals common goals again another major problem are contractors here don't see that our primary aim is Project A success. If we succeed in Project A we are reaching their objectives then by default we will than have met our objectives and made our money but the correlation, that sight on the objective is totally lost so therefore the contractor they want to make money they have got to make money at the expense of project A, and there is this belief that they make a sale over 10 thousand then project A gets 7 thousand pound back well no if you had put that 10 thousand in the first place then project A 10 thousand pound bank anyway. It's a warped view of the world. Incentives should work I think it comes down to this having everyone having common goals, means the client to have needs to have the incentivisation model. It needs to be a fair one so that if I lose one job I can break even on the next if that imbalance is there your incentivisation really is going to be a damage limitation. How do I square the books? You know that

really is. If you go away with nothing else the client has to be fair, but unfortunately I think even though we try to to say that this partnering if the way the incentivisation models were set, up is not a fair incentivisation model so ……….. have always seen themselves bottom line. We are all in this together but when the shit hits the fan it's your contract. You know. And that's not good for business it is very naïve.

Interview Questions for 302484 - Contractor

1. Egan used 15% for the gain-share pain-share. Do you feel this works and why?
2. Incentives are said to encourage the project to be brought in below budget. Does this mean the project is successful?
3. How accurate do you feel the target costs are?
4. How are the target costs calculated?
5. When is the best time to set the target cost?
6. Why is this the case?
7. Does the use of incentives provide the quality required by the client?
8. Do incentives work?

Reply

1. It depends in what context it is being used. If you have got accurate target costs to start with then I think that it will work. If there is no slack in it no float in the target cost then it could be unfair.

2. If the budget is realistic to start with and you can value engineer and find savings then perhaps you can go in and ………. doing things, then yes the project could be successful, or it could be that they were too generous in the first place and it wasn't a challenge to achieve it so it will still be classed as successful but achieved the easy way.

3. At the moment we go to target costs when the designers feel they have achieved 75% of the design and I put the emphasis on feel. Ok. My feeling of 75% and their feeling of 75% complete may be two entirely different things. I don't believe we allow for that enough in our risk registers for the fact there of, depends on the size of the scheme. We are either 1% of the construction costs for design at the moment or 2%. But if you only get the target at 75% design surely it should be a higher percentage than 1-2%. So, I/my concern so far is that they are not very accurate. Struggling to get close it.

4. Um. They are based on past experience. So, we have done a similar scheme for that that's what it cost us that's what this should cost or they are priced individually based on the information given at the time, which is the target cost. Which as I say is 75% design. Could have somebody saying we have see this hole in the ground here its 4 meters by 4 meters by 3 meters deep that's all we know at the moment.

5. Personally from a quantity surveyors point of view. I think it should be 100% design and you know exactly what you are building. But that is personal, but before the contract starts obviously.

6. Because every scheme I have done so far has lost money. Because designs change as we have gone along, and what we thought was a structure 14 meters by 3meters turns out to be a structure 20 meters by 4 meters and yet you set your target cost based on ………

7. Yes. I don't see an issue with quality at the end of the day we are here to provide a quality product. Quality costs if you have got a reasonably tight cost you should be able to achieve the quality required and still hopefully come up with an inventive layout/framework.

8. I feel they can work in my experience to date as this is the first contract I have worked on with incentives it's not working for us as a partner contractor. We are not able to achieve the target and when we value engineer we are criticised for doing so. See. We have been told by cost managers "oh, you are ripping me off again!". It is not helpful but unfortunately what is happening in this particular environment and it's not motivational, makes you think well hang on, can't build that so it decentivises everything then, so. But in principle if it's a good system, it can work. The difference is in how it works here with your below business plan or above business plan incentivisation changes, but yeah, over all I think it could work but not on this contract.

Project B

Interview Questions for 300160 – Cost Manager / Project Manager

1. Egan used 15% for the gain-share pain-share. You suggested a larger percentage, why do you feel this?
2. Should the gain-share percentage and the pain-share percentage be the same figure?
3. What advantage do you see in this?
4. Incentives are said to encourage the project to be brought in below budget. Does this mean the project is successful?

5. How accurate do you feel the target costs are?
6. How are the target costs calculated?
7. When is the best time to set the target cost?
8. Why is this the case?
9. Does the use of incentives provide the quality required by the client?
10. Do incentives work?

Reply

1. I think with the contractor the advantage of having a larger percentage is that it gives them a greater incentive to perform and also they are facing a larger penalty if they don't perform the one proviso that I would put in on this is that the target cost has got to be as accurate as possible if the target cost is not accurate then the percentage does not really matter.

2. I think so I think it ought to be fair that you carry an equal share of the losses and they will equally get the same share of the profits.

3. I think it is fairness, yes, in the system to try to put in place. That it is seen to be equitable.

4. Depends on how you measure success obviously incentives have a financial focus, so you are basing it mainly on cost if a project comes in very late or the quality is very poor than you may not judge it to be successful even though the cost is within budget.

5. The target costs are not accurate, one of the reasons why target costs on project B were not accurate was that they were arrived at too late a date the contractor had incurred certain problems and he then sort to incorporate those problems within the target cost and delayed and delayed the establishment of an agreed target cost.

6. The target costs were worked out on the basis of estimated figures.

7. The design admittedly was not very advanced at the commencement of the project and there were continual design changes which really was a problem with establishing a target cost.

8. It has got to be as early as possible the contractor is generally in a position to know how a project is going, he is in a better position, quite often than the client the

longer you leave the establishment of the target cost the less fairness there is then in allowing the client to benefit from any pain the contractor may be incurring. The contractor quite often when a project starts go wrong go wrong will tend to spin out the period by which he is prepared to agree a target cost thereby trying to incorporate a lot of the potential pain the projects incurring.

9. I don't think it's necessarily going to provide poor quality but obviously with the focus on cost there is a danger that quality could suffer.

10. I think they can work. I don't say that they always work but I think that I would prefer to see incentives in place than not have incentives in a partnering contract.

Interview Questions for 290564 - Client

1. Egan used 15% for the gain-share pain-share. You agreed with this percentage, why do you feel this?
2. Should the gain-share percentage and the pain-share percentage be the same figure?
3. What advantage do you see in this?
4. Incentives are said to encourage the project to be brought in below budget. Does this mean the project is successful?
5. How accurate do you feel the target costs are?
6. How are the target costs calculated?
7. When is the best time to set the target cost?
8. Why is this the case?
9. Does the use of incentives provide the quality required by the client?
10. Do incentives work?

Reply

1. We have got plus to minus 20 on a sliding scale and then more than +20 totally down to the contractor or developer and if its more than -20 its totally down to us as well because its 2 ways isn't it, you don't want the contractor or developer to drive down costs artificially because I am after the quality of the product hence the way I have responded to the questionnaire. In the early setting of the target cost I don't see as a high priority. People would see that I would probably set/have an indicative cost in mind so the contractor and his team well the whole sort of well the whole group in actual fact are not going down a route, without some guidance without some idea of where they are trying to get to but are actually trying to hit a figure early on is the classic sequence isn't it, if it is pitched too low oh dear think

you are going to be in for a couple of disputes along the line, ok you are going to get the contractor or developer trying to have, yes claim under the contract there so many events that have to be covered they will be trying to drive the target cost up in any case and likewise if the target cost is set and its too high than the client has no way of recovery. So all risks real and imaginary are in there and there is no way back because oh yes, you will save some money, but you are sharing the saving against what is termed a predacious cost in the first place. So I am not a fan of this early bit + or – 15 is ok.

2. Not necessarily it tends to be with most contracts I must admit its got this incredible sliding scale, haven't you basically is it 50-50, is it 70-30 is it 60-40 whatever whether its plus or minus the initial sort of 5 or 10% the other tends to be a 50-50% arrangement.

3. It's what happens next because some clients will actually only have say +10% so its 50-50 up to 10% and then it becomes 100% on the contractor so its yeah quite reasonable because after all you are working together, you shouldn't be in a game of trying to win win on the thing it should actually be shared because that is the whole purpose of the partnering so it's you need to understand it do the outset. I have run a number of contracts without that actually being part of the initial tendering process either because the actual percentage of it is something to be looked at later on.

4. Not necessarily below budget ok let's go back to the old days. How many projects based on lowest price (sort of) I don't know were covered by the initial tender figure in other words the final account was within budget? Not many. How many were completed within the agreed program period? Not many. So let's go outside that a minute I don't know about bringing it in. Brought into the budget certainly, yes, everyone knows where they stand I mean there is the contractor or developer may like to bring certain things in because he is sharing cost I accept that but it is still a partnering arrangement because if it means that its bringing in the product or standards are different the answer is it doesn't for me. Because I prefer I must admit a quality a quality product on time and within the target. Ok the target could be 2% or 5%. I don't think it really matter preferably not above 10%.

5. Well depends where you want to play it. Some people run contracts where they have actually issued like an approximate bill of quantities to start off with to try to get some indicative figure at the start. Yeah, we did that for one about ten years

ago. I think they are slightly variable in actual fact. On this, I mean, they should be a realistic figure. I mean we probably don't fix the target. I like the target fixed when probably we have got about 70% of the packages bid. Alright, we ran a number of projects a few years ago using NEC option N, which is the management and basically the way that was set up was the budget was like X pounds per square footage you are building. Are you going to tell me? Because it was a blank sheet of paper. First of all some people had difficulty trying to come to terms with that to start off with and understand it because I think they came with the view, expecting a bit of the old fashioned, here's the design or at least here's the plan or something or other. And it was a red line around the site. Obviously I didn't want to put in a ten storey office block, I had some idea but it was as flexible as that. And we proceeded on the basis of doing the designs and so on, but we didn't commit to doing the contract, the actual construction of the contract until we had a 70% certainty. So, I would think that probably the… yeah, I think in that instance they should be fairly accurate. If you had most of the package already tendered, I don't say you go to 100% because that's insane, that's just slowing the whole process down but again you wouldn't actually proceed if you did or you were forced to proceed because of time scale issues, occupation access and all sorts of things that they proceed with, with a contract that only has a few packages tendered/bid then the greater the risk. I wouldn't do that and I am quite comfortable with 70%.

6. Yes, it should be, that looking what the scheme and the potential risks are and all the implications are. I mean its, yeah, the risks are key you know, the time of year you are doing it, the what the information on site. The biggest risks tend to be in the ground or the environmental issues and everything else. So those are the ones to really sort of enter first if you like, if you like to put it that way because when the building or a building or structure or something is not involved then it can be civils, civils is a little trickier because most of it is underground, but it's that level amount of risk so it's back to that how can you reduce the risk, you can never eliminate them but it's the normal risk register where you are trying to knock them off. So you have to build some of those in, the contractor or developer certainly will want to build those in any case. He will not want to contribute to what is like a penalty almost, on something when it should have been picked up as a potential risk with a cost allocation to it in any case. We tend to use external consultants, cost consultants, quantity surveyors but yeah working with the contractors. Obviously so it is a very open procedure that when we have done them to try to build up a figure not Mr contractor throws, or Mr developer throws you a cost and says what

do you think. I mean there is a bit of discipline involved. You are looking at life cycle costs of products on occasions may be fine if your budget is up the creek. Really stretched but if maintenance is an issue, if replacement is a problem it should be built in for the whole of, the private sector has been doing it for a while but the public sector is trying to get best value back a bit and lowest costs but sorry it should build in the life cycle costs of the whole exercise.

7. When you got the risks and identified most of them may not all cause you can never, it's a classic "do you know what you don't know?" The answer is you don't. I mean you will always have a few bits and pieces that cause a problem but I would expect that 70% at that sort of level whether it is 68 is it 73 oh come on it depends on what the packages are. If the packages are……. If the major relevants are done and they amount to only 60% and you are into finishes and whatever and well that's different. I am not too worried about that but its sort of 70%.

8. Its normally a number of months on frankly when we have bid projects on the basis of management cost profit overheads on the whole and then made the selection the target cost may actually be 4, 5 possibly 6 months later, so I have got no illusions of the team. The project managers it is not a case of try to set this we have to do this in the next 6 weeks. If we are trying to set the target within the 6 weeks, somebody is going to lose and it's a toss of the coin as to which one, but somebody is going to.

9. Not always. It's a slight problem. Its choose your contractor on this isn't it. Providing that it is explained at the outset what this is the clear bit it's got to be, it's the brief, and it's got to be the client and his representative it has to be specified at the tender stage if not before the contract design bit of it is awarded because otherwise there could be with certain teams, yeah, incentive to drive things down which could affect the quality. I will admit for some products probably not quite so relevant but the end of the day because some of the things you can't actually see or feel in that sense and ok but in other which would affect weather resistance or even just wear and tear you are going to have to look at that back in the lifecycle bit so it's got to be right at the start. And for us for example at the moment its, if we get involved in buildings if it's not domestic there is BREAM (Are you aware of the BREAM scoring system?). BREAM is excellent we have to obtain excellent on that remit, we issue. We have been doing it for years actually. Before the requirement from the Welsh Assembly came in and that means if it is direct billed we sell the land for development or put grants in and it is domestic it's a minimum

of code level 3 but again if we have control or whatever we will try to target a code level 4 or we are doing some pilot projects at the moment where we are trying to go to code level 5, so those are our sort of actual requirements. Now those, the new BREAM relates a lot of the new things because zero carbon aspirations (its target not a requirement) trying to get energy efficiency reduction in carbon dioxide, trying to get renewables in. So you are really looking at what the quality of the building is because if you are going down a zero carbon house for example the air infiltration. There isn't much so 3 tonne of silicon filling all the cracks and crannies is not an option, is not an answer. So quality is pretty key to this and we need to drive quality up for a number of years there has to be this balance and partnering is meant to actually. Does it mean you are actually increasing the cost of the project? Possibly, but are you increasing it for the right reason? And if you are increasing it for the reason of life cycle costs, yes than that's quite justifiable.

10. Yes, 90% of me says yes, 10% of me will always say no on the basis that, it is depending on the team. I hate to say it, it is back on the individuals, firms, organisations and the culture. Some people will view an incentive as something they will want to drive and strive for and in that try and beat it but is it for the right reason or the wrong reason really and. They do work providing the target figure is sensible in the first instance, that's the thing. Because if the target figure is too high, well come on its simplistic mind will say you are always going to beat it but you are going to share the costs so should you have had the target. I mean if you are driving the cost down, well if the savings are too much then normally something is wrong I think that at the end of the day most contractors or developers would like a little bit of the share of any profits or savings. Where they have been innovative, creative or whatever they want something but the real pain of the exercise what they don't want to do is go into the pain of it again. They must not have pain. I mean that's there process in reality so if it's there or thereabouts round about the target that's fine because the target should have incorporated some of the risks element in any case. There will be another risk pot that is separate.

(Client inconsistency).