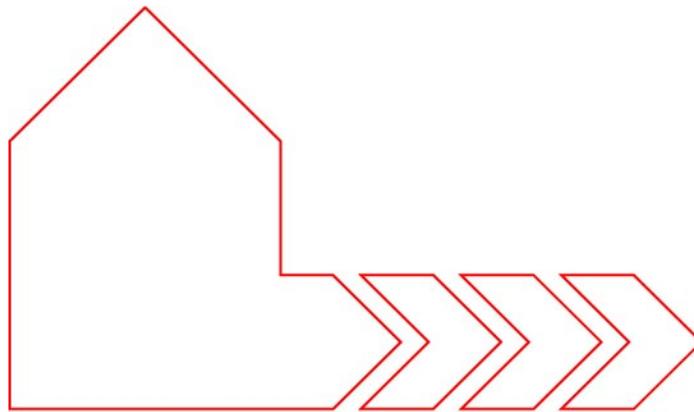


# ZUKUNFTSINITIATIVE PPP + HANDWERK



*Kurzbericht - Forschung*

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## **Abstract**

Design, Testing and Further Development of Public Private Partnership (PPP) Instruments and Education Modules for Tradespeople in Skilled Crafts and Small Businesses This joint project between the HafenCity University of Hamburg (HCU) and the Hamburg Chamber of Skilled Crafts and Small Businesses (Handwerkskammer Hamburg) aims to provide tradespeople in skilled crafts and their small businesses with the required knowledge and appropriate tools for a well-informed and fair participation in the competition surrounding the establishment of best-practice public private partnership (PPP) project ideas and solutions.

The project has been funded by the research initiative “The Future in Building” of the German Federal Ministry for Transport, Building and Urban Affairs.

Public private partnership instruments and continuing education modules suitable for practice application in skilled crafts-oriented small businesses are the most important outcome of this research project which was undertaken with members of the construction industry. A handbook was prepared for the participating trades and small businesses. It included checklists, theory readings and sample documents for private project partnerships, as well as calculation and controlling tools which allowed the participating businesses to navigate through a complex public private partnership project in building construction. Theoretical foundations of private project partnerships were established with the participants through a series of 10 workshops and two large-scale events with representatives of firms with significant experience in public private partnership projects. This allowed the testing of the research project’s underlying assumptions and the developed materials for suitability in practice.

The materials compiled for this research project may also be used by state and local authorities in tendering for and commissioning of public projects in order to better understand the thought processes and practical approaches taken by tradespeople and small businesses and thus establish a more conducive climate for including small businesses in such projects.

In parallel with the research initiative “A Future for Public Private Partnerships and Skilled Crafts”, the State Government of Hamburg announced two construction projects with different financial volumes which directly target small businesses. Commissioning of these projects will begin in the fall of 2008.

In order to increase participation of small businesses and tradespeople in skilled crafts in public private partnership projects, the research initiative identified specific needs for action in the following areas:

- Building of competence and confidence in skilled crafts-oriented small businesses wanting to enter public private partnership projects
- Development of suitable participation forms for skilled crafts tradespeople in the business environment of public private partnership projects
- Removal of barriers for entry into the market

### **Building of competence and confidence in skilled crafts-oriented small businesses wanting to enter public private partnership projects**

Once tradespeople and small businesses discover public private partnership projects as a potential business environment for themselves, they need to develop appropriate know-

how, competence and resources, but also have to identify their individual and specific competitive advantages, such as their regional presence and knowledge of the local market conditions or the demonstrated reliability and high quality of their products and services.

In order to meet expectations and criteria for public private partnership projects, small and medium-sized businesses typically need to gain additional qualifications or team up with partners which already have the required competence. A reliable strength-weakness analysis (SWOT) is an important factor in evaluating potential partners. Next to the obviously necessary professional and technical skills, key aspects are capabilities in commercial, legal and taxation domains, as well as in real estate management.

To be economically successful, it will also be necessary to record, observe, predict and optimise expenses and income in the long term. Relative to this aim, the research project defined life cycle benefits and their valuation, and broached the subject of economic optimisation of quotations/bids via dynamic investment calculations through computer-based tools.

As part of the real estate management skills in public private partnership projects, it is expected that participants not only contribute their personal professional skills, but are able to integrate their respective building and other contract outputs. This is to ensure that all partners together can technically and economically optimise and implement their individual and joint contributions throughout the duration of the contract which might span across several decades.

This, however, requires extensive planning and leadership experience. To facilitate the development of such experience, the research project has offered a number of proposals and further advanced already existing examples in practice, such as the "Hamburg Building Team Model".

### **Development of suitable participation forms for skilled crafts tradespeople in the business environment of public private partnership projects**

Current practice in public private partnership projects typically relegates the skilled craft tradespeople and other small to medium-sized businesses to the role of subcontractor. The research project has developed several departure points for the inclusion of tradespeople in the design phase of public private partnership projects. This is not only desirable from a competitive perspective: Integration of those firms responsible for the final execution of any aspect of a building at an early stage and with full accountability for their actions also generally leads to higher quality and sustainability as well as economically more efficient solutions for a project.

Once a bidding consortium has successfully manoeuvred through the award procedure and received the commission, there are several options for the participation of skilled crafts tradespeople and small businesses in public private partnership projects, which mainly depend on the degree of delegated responsibility and thus the likely opportunities as well as the associated risks:

- Full members of the project consortium
- Privileged subcontractors, who already actively contribute in the design and bidding process and can thus negotiate conditions for ongoing assignments or commissions
- Subcontractors in the traditional sense.

In which of these groups a particular firm will be placed, depends predominantly on the available know-how and capabilities, as well as the extent of collaborative experience within a company. At least for the first two options, the firms or companies seeking such participation will need to find new ways for their collaboration. All of this needs to be contractually defined: the delegation of tasks, responsibilities and risks, the expense and profit distribution, as well as the articulation of interfaces between assigned tasks and the partners responsible for completing them. Differentiated responsibilities for the various partners and their fair and equitable weight in joint decision-making can only be achieved, when all processes are integrated and the partnership functions effectively.

### **Removal of barriers for entry into the market**

The under-representation of skilled trades and small businesses among public private partnership projects is to a large extent due to the high complexity of such projects. This complexity presents huge challenges to the building industry because of the industry's traditionally extensive division of labour which has been maintained for decades.

But besides the lack of capabilities resulting from this historical division of labour, one also needs to review the organisation of bidding and commissioning procedures which are often unsuitable for or downright hostile towards trades people and small businesses.

The research project identifies requirements for such procedures to allow for the fair and equitable participation of skilled trades and small businesses in the competition for building and other projects.

The advantage of public private partnership, long-term economical construction and operation of buildings, can lead to a strong impulse for integrated design and management of real estate projects in the public and private arena. The opening of this new business environment for small businesses and tradespeople in the skilled crafts will likely result in new and competitively structured firms and consortiums which will bring about increased innovation in design, construction and operation of buildings.