

Lessons learned from one of New Zealand's most challenging civil engineering projects: rebuilding the earthquake damaged pipes, roads, bridges and retaining walls in the city of Christchurch 2011 - 2016.

Commercial introduction presentation

Story: The Commercial Model

Theme: Finance and Business Systems

An early presentation which summarises SCIRT's commercial model in a simple way.

This document has been provided as an example of a tool that might be useful for other organisations undertaking complex disaster recovery or infrastructure rebuild programmes.

For more information about this document, visit www.scirtlearninglegacy.org.nz



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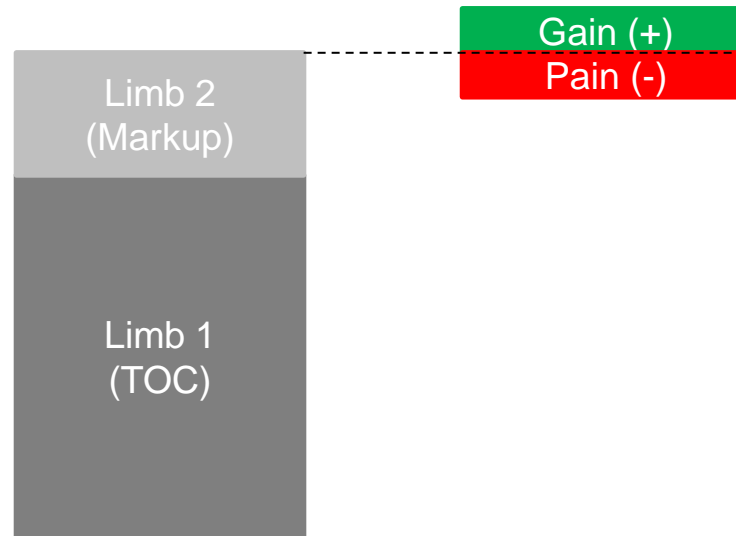
What is an alliance contract?

Alliance contracts are focused on:

- decisions made on the basis of "best for project";
- responsibilities clearly defined within a "no blame" culture;
- innovation is to be encouraged and provide a key driver to the success of the project;
- the parties to provide reasonable access to all personnel, materials and other resources needed for a successful project; and
- all communications to be open and based on a relationship of trust and honesty.

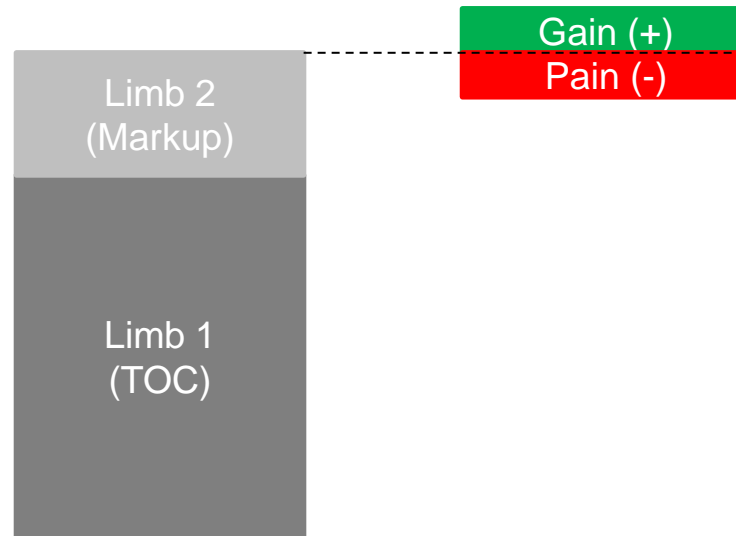
What are the limbs?

- Limb 1 – Is the Net Actual Cost (but is a Target Out-turn Cost or TOC)
- Limb 2 – Profit and Corporate Overhead (Markup)
- Limb 3 – Performance Based Payments (Pain/Gain)



What is the TOC?

- Limb 1 – Net Actual Cost (Target Out-turn Cost)
- Limb 2 – Profit and Corporate Overhead (Markup)
- Limb 3 – Performance Based Payments (Pain/Gain)

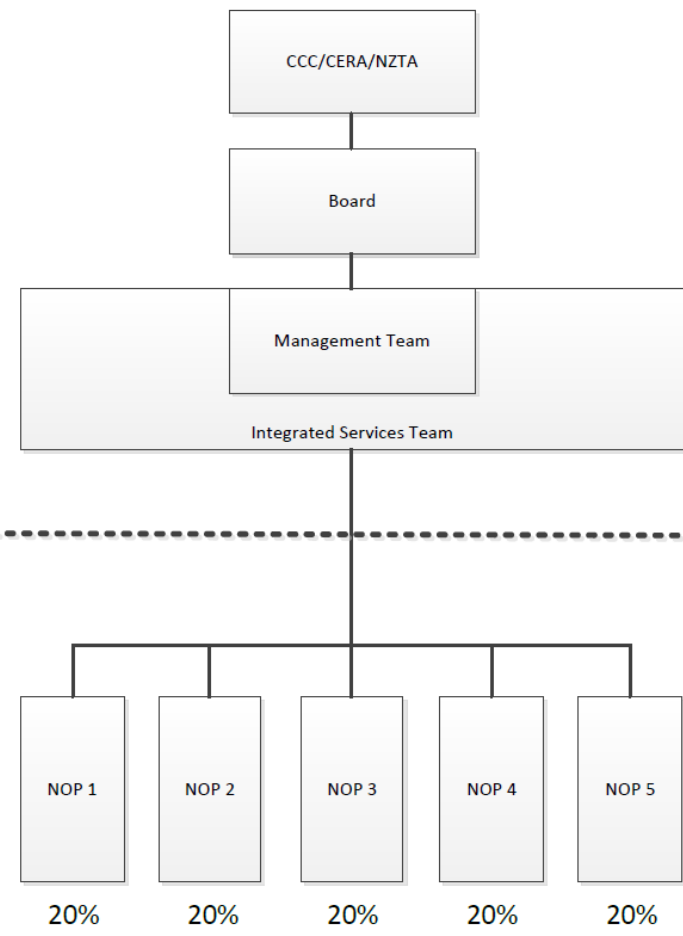


Remuneration
 $\sum AOC$ (Limb 1) + $\sum TOC \times \text{Mark-up}$ (Limb2) \pm Overrun or Under run of the TOC distributed based on Projects undertaken as a percentage of TOC (Limb 3)

- Competitive Tension**
 Create tension amongst the NOPs by measuring
- Financial performance
 - AOC vs. TOC
 - KRA performance
 - Capacity
 - Benchmarking
 - Internal over time
 - Comparable with other NOPs over time

At start of AA
 Projects divided and allocated equally across NOPs

At end of AA
 Projects have actually been distributed across NOPs based on KRA Performance, and NOP capability and capacity.



Allocation
 Designs and agreed TOC's allocated to NOPs

Consolidated Claim including mark up, and Monthly Progress Report
 ↓ Payment
Programme Actual Outturn Cost, Forecast Cost to Complete, and Earned Value (all provided monthly)
 ↓ Payment received
By Project Actual Outturn Cost, Forecast Cost to Complete, and Earned Value (all provided monthly)
 ↓ Progress payments distributed to NOPs and suppliers
NOPs Procurement
 Engagement of sub-contractors under normal commercial terms

NOP 1	NOP 2	NOP 3	NOP 4	NOP 5
20%	20%	20%	20%	20%
23%	18%	22%	18%	19%