



Welcome

**Different Owners
and
Different Contractors!**

S p r e a d O u t ! ! ! ! !

CONTRACT
STRATEGY

GET CONTRACTOR

Yell & Bitch
@ CONTRACTOR

PROFIT \$!!!

Hey, wait a minute ! Shouldn't we take some time to think things through?

What are our project objectives?

What are the project and contract risks?

What are the different ways we can contract this project?

What do we need to self perform?

Who should we invite to evaluate this?

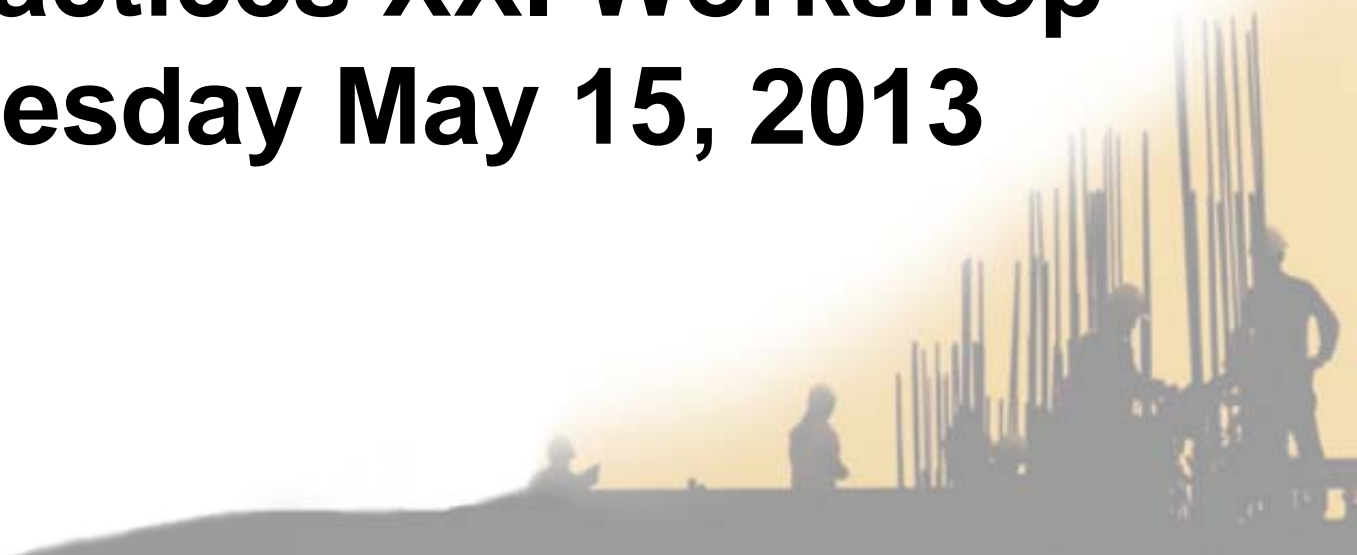
Maybe there is a best practice that can help us!



Contract Strategy Development

HOW ARE WE DOING?

**Best Practices XXI Workshop
Wednesday May 15, 2013**





Agenda

- Introductions
- Recap from BP XX
 - Committee Scope and Objectives
 - Your feedback from BP XX
- Progress This past year (Document Tree)
 - Best Practice Standard - Draft
 - Process flow chart - Draft
 - Contract Strategy Key Considerations
 - Compensation Model Comparison
- Group Exercises
- Open discussion, Q&A



SAFETY TOPIC





Introductions - Our Team

- Bill Somerville, Nexen (Co-Chair)
- Shane Nickolson, Graham (Co-Chair)
- Corné Van Wyk , Nexen
- John Taylor, Corporate-Commercial Lawyer
- Nicola Haig, Athabasca Oil
- Corbin Devlin, McLennan Ross LLP

GRAHAM

nexen



ATHABASCA
OIL CORPORATION





Recap from BP XX Workshop – May 2012

Our Scope, what you told us





COAA
Construction Owners
Association of Alberta

Contract Strategy Best Practice Objectives



Everyone's Goals – A Safe Project on Schedule, on Budget, complying to specified requirements

Need to choose the right contracting strategy that Supports the project objectives

Our committee's Objective: To establish a Best Practices document and toolbox that assists owners and contractors to develop and implement most appropriate contract strategy to achieve project objectives





What we presented at BP XX

- Our proposed business need for developing a contract strategy best practice for industry
- Our definitions related to Contract Strategy
- IPA (independent consultant) provided data / research into impacts to projects related to contract strategy and compensation models
- Reviewed our initial year's work product
- Had two participant exercises

Business Need

Research has shown that if undertaken at the *beginning* of a project, development of contract strategy can:

- Drive effective risk assessment; and then subsequent Contract Strategy including:
 - Assignment of Contract Scopes;
 - Interfaces Split; and
 - Contract Terms

Will have a better chance of being

- Fit for purpose
- Flexible
- Able to accommodate and react to project “bumps in the road”

Contract Strategy Defined

- A Contracting Strategy is a project deliverable (typically produced by a multi discipline project team) that is aligned with and supports the project's:

Goals;

Objectives;

Key success factors;

Project execution strategy; and

Capabilities of the contractor supply market





Contract Strategy Defined

- The contracting strategy clearly defines and allocates a project's:

Scope of work and interfaces;

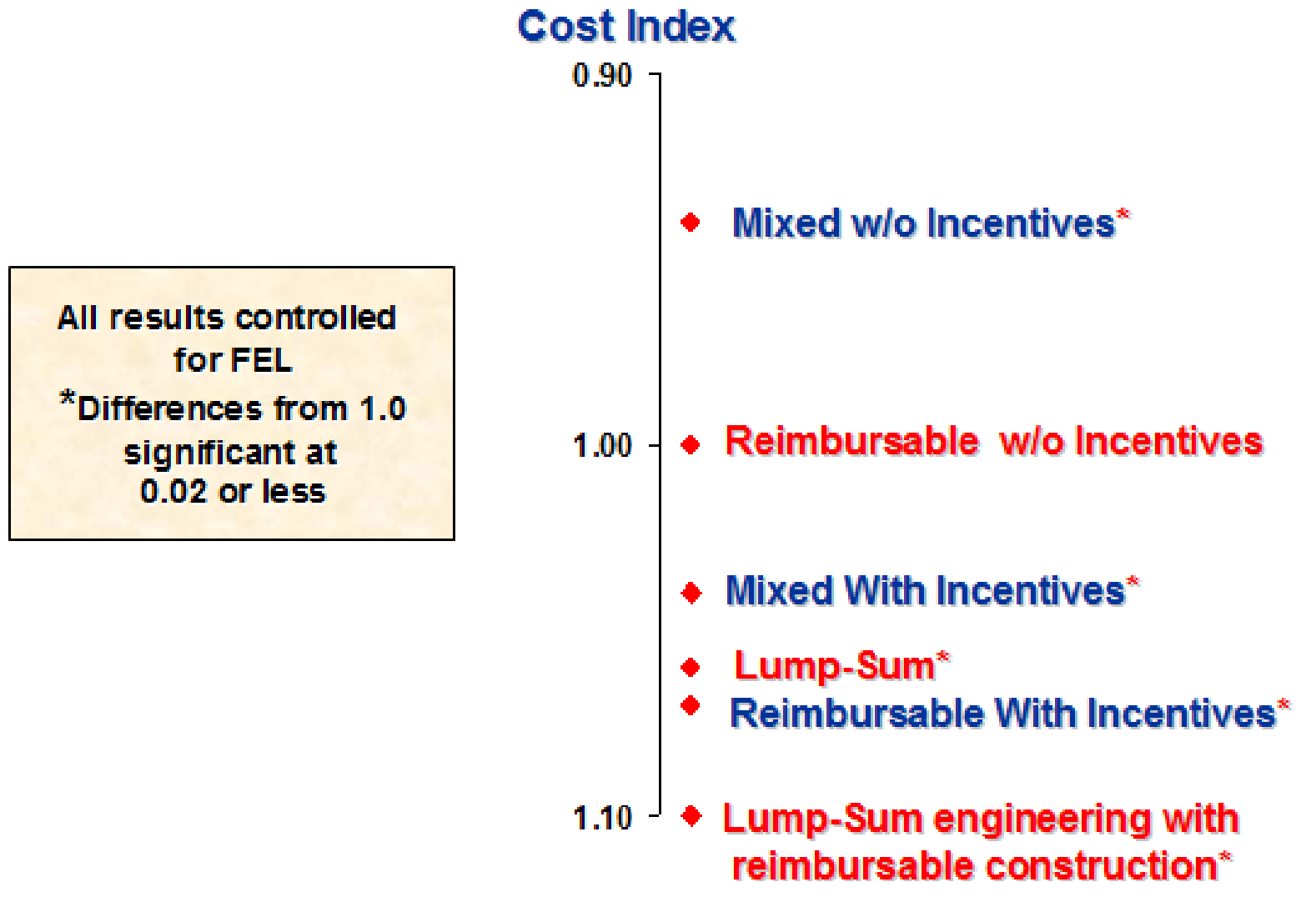
Roles and responsibilities;

Risks and mitigation strategies; and

Compensation model

We proposed that plans on bidding vs.. negotiating contract scopes was a sourcing strategy, not a contract strategy

Cost Performance by Contract - IPA





Strategy Selection Can Impact Project Results - IPA

- Selection of contract type can impact cost effectiveness; mixed strategy is best
- Local labor availability, and knowledge of availability, can impact strategy decisions; less knowledge leads to field labor growth
- Using the same contractor for FEED and execution can provide faster cycle times





What you told us at BP XX

Two exercises

1. Table discussions on **your project experiences**, whether problems arose due to poor contract strategy, risk allocation, inappropriate compensation models, etc. You said **YES!**

i.e. you validated there is a Business Need.

2. Table discussions to review / comment on the information, definitions, draft work done by the committee to date. Your key themes:
 - We were on the right track
 - Contract strategy development needs to be documented process, and done for all projects (scalable) (some companies have documented processes, **1/3 do not have**)
 - Contract strategy is a key component of the Project Execution Plan
 - Development of strategy needs to involve multiple project stakeholders
 - Needs to assess, address and appropriately allocate risk
 - **Impact on time to negotiate**



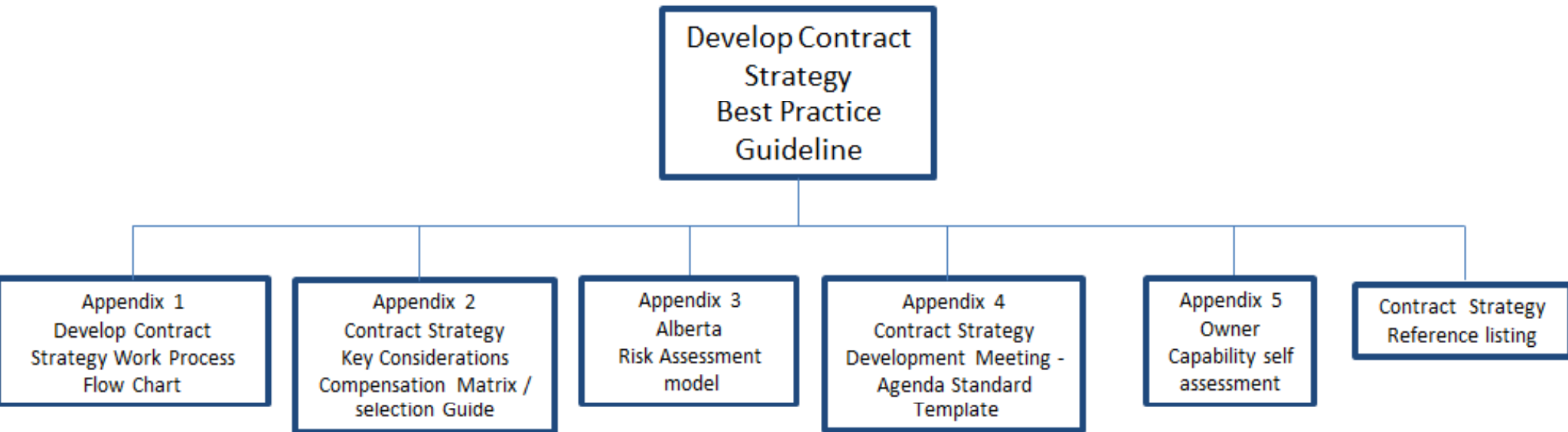
Progress.....

- Committee reviewed and understood your feedback.
- Discussed and agreed on the scope of a “Best Practice” for Contract Strategy Development
- Consolidated and generated many of our recommended documents (in draft form) that detail the “Best Practice”.

Best Practices XXI workshop is the time to share our progress, work product generated thus far and get a pulse check from you.

The Best Practice Scope - Status

Document Tree



Some initial positive encouragement from CII

“ Thanks for sending the Contract Strategy Best Practice materials for our review. Looking over them, I see that they do a good job of giving the reader the big picture on this topic. We have no problem at all with your reference to CII IR 111-3; indeed, we are more than pleased that you refer readers to it, and we hope that they avail themselves of its wisdom.

Please consider this email our full endorsement of your project and let us know if we can be of any assistance in this or any other matter concerning your integration of our practices and best practices.’



We asked you in advance what you wanted to review and discuss at this Workshop.

An overview of the current drafts of the key components of the best Practice

- The Standard (an overall framework, definitions, key principles document)
- Work process flow diagram
- Standard Meeting Agenda template
- Alberta Risk Matrix
- Key Considerations document
- Owner Capability Self Assessment



Let's try to use the standard and the toolbox

Exercise #1 – Topic - 20 minutes

- We will assign a case study, your table discuss and start crafting a contract strategy
- There will be a report back on your outcomes, key aspects / issues, you talked about



Wrap-up



- Workshop Recap
- Feedback Form
- Anyone interested in joining the committee, please come see one of the committee members!





Comments

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or

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