

Resource type: external

Alliancing Best Practice in Infrastructure Delivery - Section 2.4 Commercial Characteristics. Alliancing Code of Practice - Figure 3.5 Key Principles in an Alliance Agreement.

In an alliance the commercial model is central to creating and sustaining the right environment and behaviours – a well-developed and thought through commercial model becomes more fundamental than the contract.

Commercial models should be focused on creating the right behaviours and allocate risk to the overall team best placed to manage it. There should be an incentive based approach that extends through integrated teams and drives continuous improvement. To do this the following key principles should be considered and addressed.

KEY PRINCIPLES IN THE ALLIANCE AGREEMENT

A clear definition of how partner return will be generated and how this is aligned with project outcomes (back to back).

How incentive mechanisms will work.

How shared return arrangements will work across all alliance parties - shared pain/gain.

How target costs and incentive thresholds will be set.

A no blame - no dispute approach (wilful default being the only direct route to legal process).

That all parties will act fairly and on a 'Best for Project' basis.

A clear definition of the risks that will be collectively assumed by all alliance parties (and any that will be assumed by individual participants - the fewer the better).

Full open book costing.

The establishment of collective leadership teams and management groups.

Collective and unanimous decision making responsibility (with any exceptions clearly defined).