

# Commercial optimisation

## Delivering outcomes



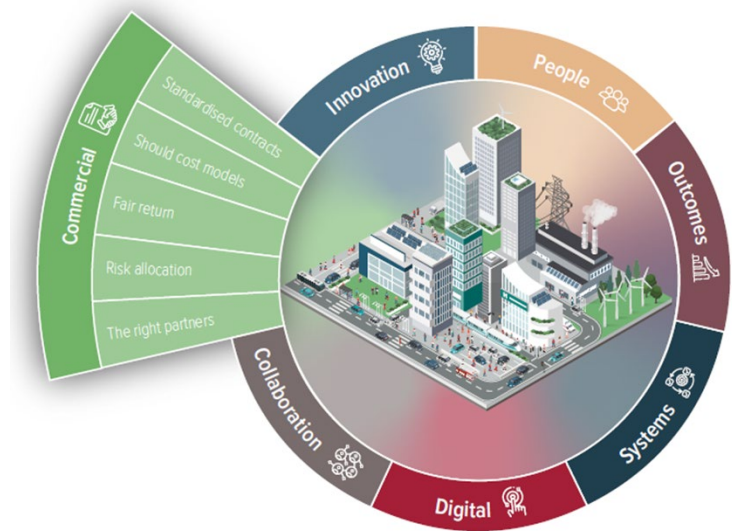
Commercial alignment and optimisation drives industry financial sustainability and enables innovation.

### Current state

The approach to contracting in Australia generally involves transferring risks to proponents with scope and price used to run competitive processes. There is opportunity to leverage existing good practice along with international best practice in commercial alignment and optimisation.

### Where do we want to get to?

- Outcomes and value are the focus for delivery models and procurement, moving away from heavily weighted price criteria.
- Risks are allocated collaboratively and appropriately.
- Relationships are founded on the fundamental principle that contracts should be profitable and mutually beneficial.
- Should Cost Models provide realistic baselines and improve decision making maturity.
- The adoption of standardised contracts.



'Procurement needs to be based on collaborative models of contracting that seek to put the outcome and benefit to society as most important'

Industry leader stakeholder

### What are the key principles that will guide how we get there?

- Delivery model selection and procurement should place greater emphasis on selecting the right partners to deliver the required outcomes
- Risk should be identified and transparently allocated to those best placed to manage them
- Contracts and commercial models should recognise the requirement for a fair return for partners and suppliers
- Capable owners should inform value through Should Cost Models, with partners incentivised to deliver value relative to these established baselines
- Infrastructure should adopt a standardised contract approach for all aspects of solutions delivery.

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## Recommendations

- 5.1: Enable more efficient delivery of value and outcomes, and uplift decision-making maturity, by focusing delivery model selection and procurement on choosing the right partners to deliver required outcomes.
- 5.2: Risks should be allocated (not transferred) to the party or part best placed to manage them, enabling collaboration and more productive delivery.
- 5.3: Contracting arrangements and commercial models should be founded on the principle of fair return, supporting a more financially sustainable and innovative industry.
- 5.4: Owners should adopt Should Cost Models to improve decision making maturity, transparency, and assessment of performance against delivery of outcomes and value.
- 5.5: Owners should adopt a standardised contract approach to infrastructure delivery, minimising bespoke contracts and clauses, to improve procurement efficiency, reduce risk and foster continuous improvement.

'There is heavy reliance in delivery agencies on prescriptive specifications, for example, the use of performance specifications that don't accept alternative designs – we can't support and achieve innovation under such arrangements'

Industry Leader