



FOVEAUX
ALLIANCE

STRATEGIC TRANSPORT

Collaborative Contracting

Working Together for a better Southland



Joe Bourque July 2011



LVR Significance

- **LVRs 88% of NZ's roading network**
- **LVRs carry most of NZ exports**
- **Significant Commercial export receipts 10% from Southland's LVR network**
- **To remain Globally competitive our LVR 'Farm Gate to Port Strategy' is needed**



Alliance Intervention

SDC has largest LVR network in NZ:

- 5,000km roads and 1,000 bridges**
- Services 28,440 ratepayers**
- Serves 12 Community Boards & 16 CDA committees**
- contributes ~ 10% Nation's export receipts**
- Prevailing land-use conversions for Dairy**



'Proactive' Alliance Contracting

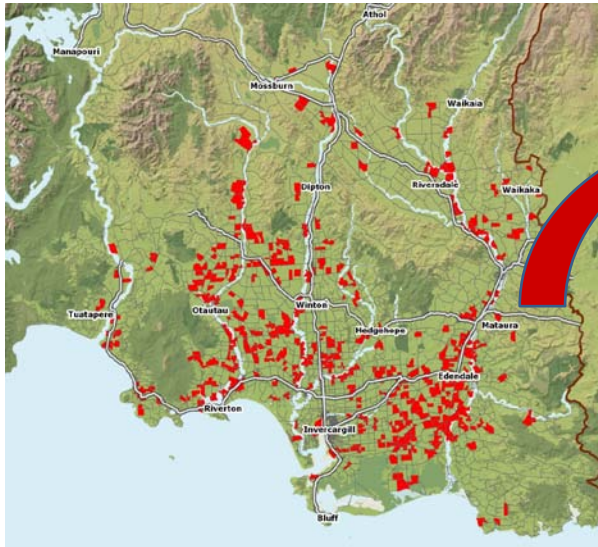
- Inflation destabilises flat-line budgets and fixed term 'lump sum' contracts
- prolonged recession erodes future asset life
- Restoration of CHCH & demand for skilled workforce frustrates fixed budget constraint
- Upgrading aging network with aging population frustrates conventional contracting
- network preservation and safety intervention are clearly at risk with flat-line funding



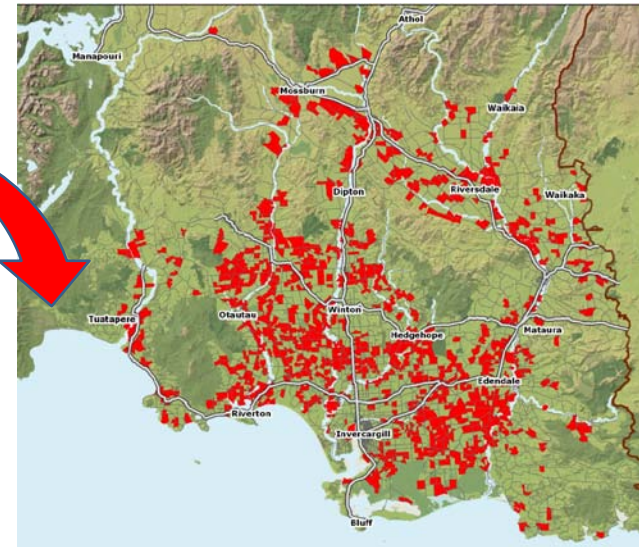
Wide Scale Conversion

Despite economic constraint, Southland's export activities growing and prospering requires flexible contract models

Southland Dairy 2000



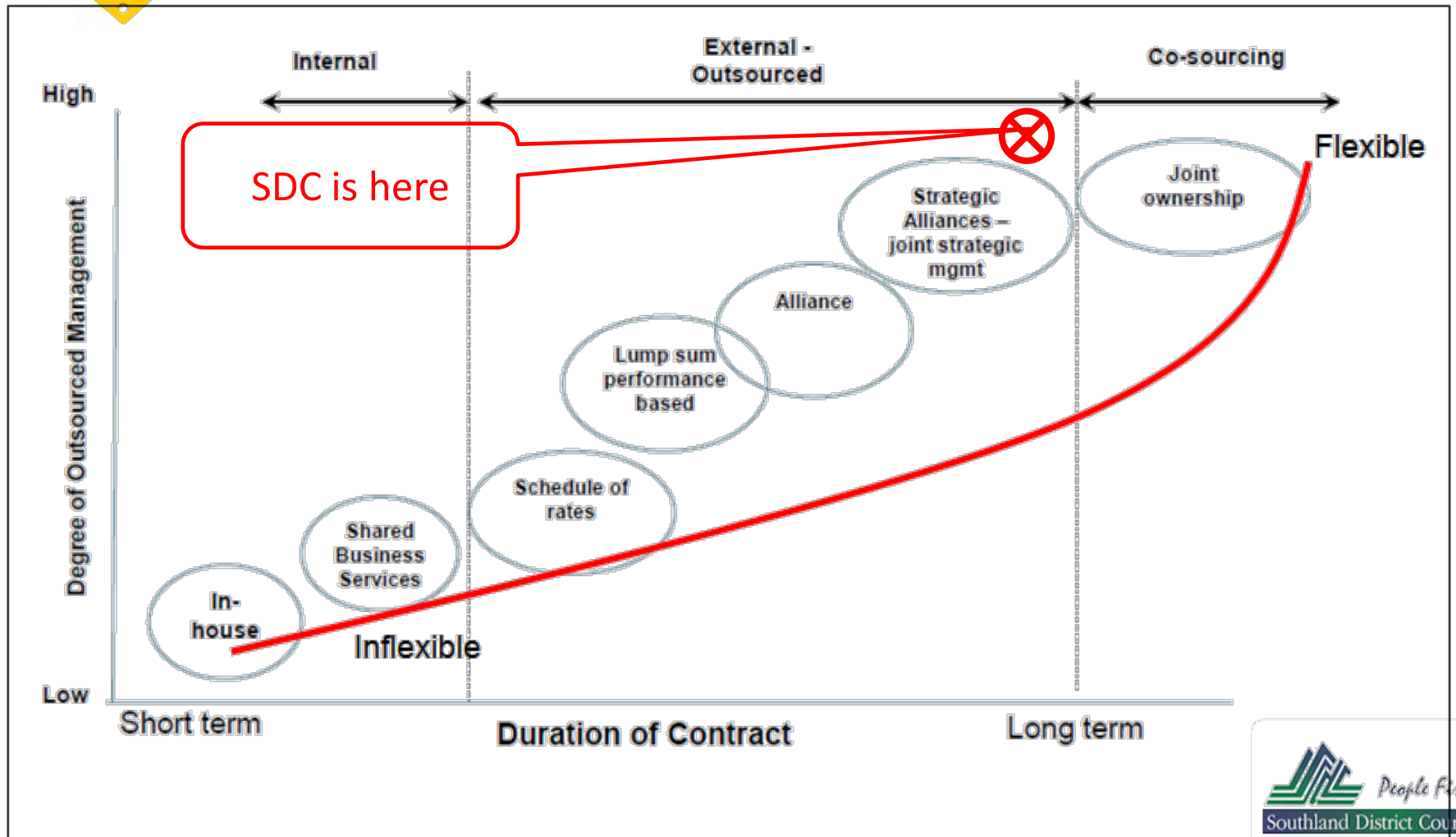
Southland Dairy 2010



currently 3-4 conversions per month



Alliance Optimisation





One Financial Truth

- **Exact financial costing and reporting critical for Alliance success – accountant embedded in business unit**
- **Alliance open book transparency provides means for operational consensus & achieving one financial truth**

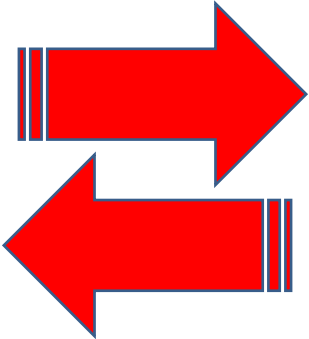
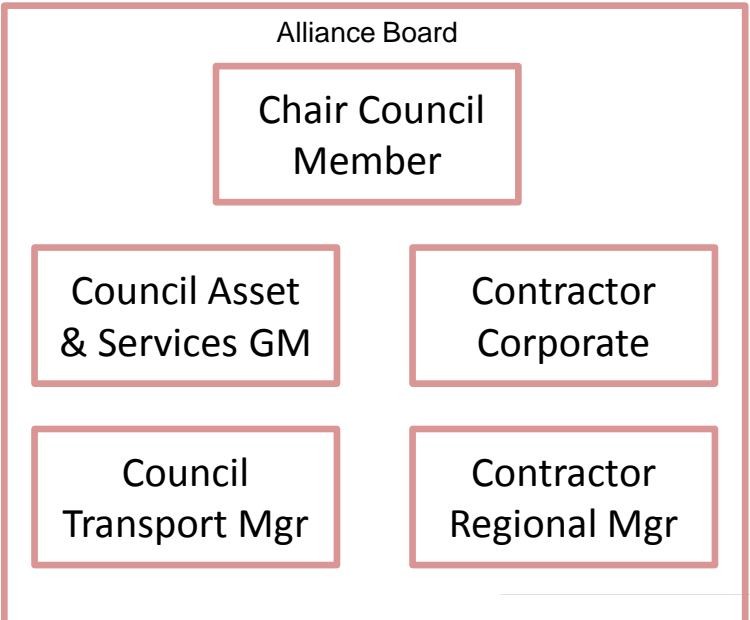
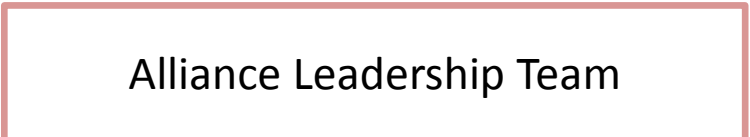
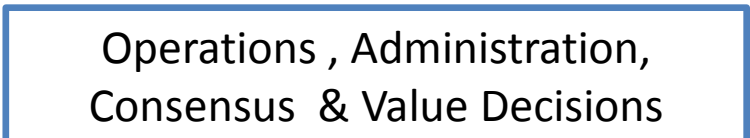
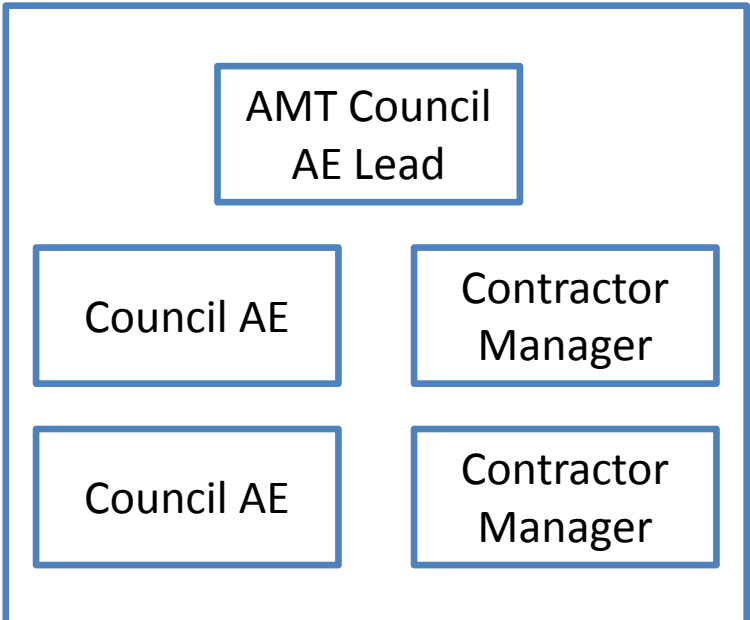


Lift the game

- **Aligning and balancing CAPEX and OPEX teams resolved with Alliance contracting**
- **Everything and anything can be ‘value’ challenged by the Alliance team**
- **Shrinking funding envelope forces mutual constraint & alignment**



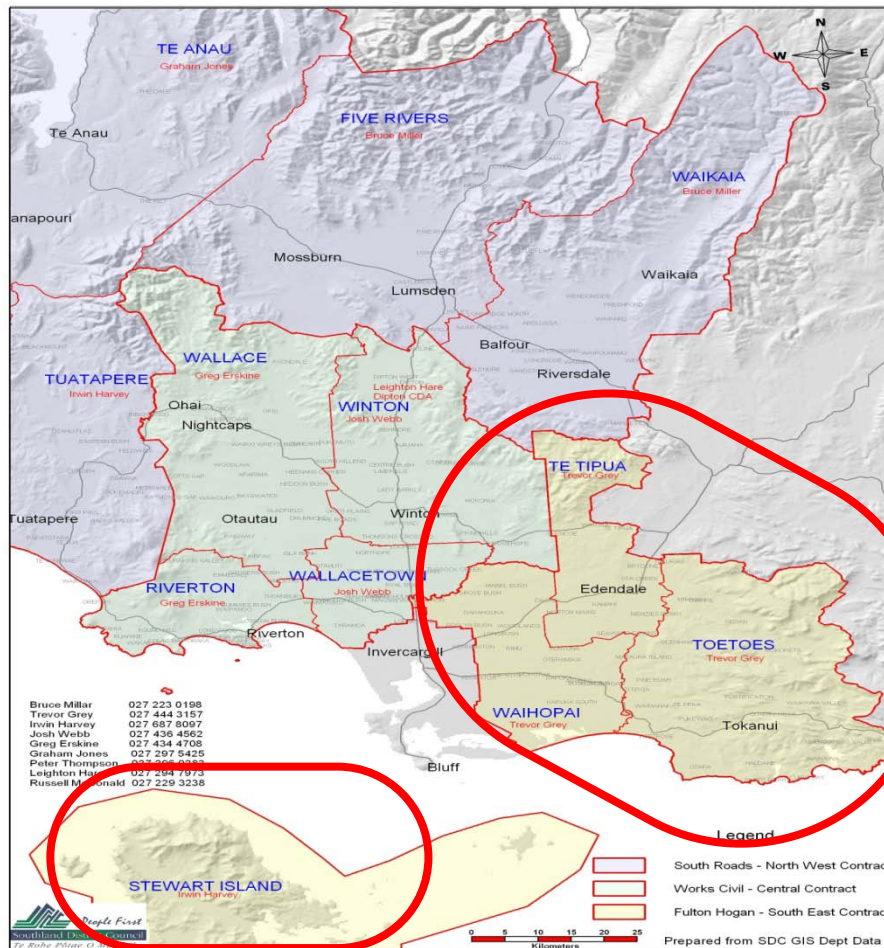
Alliance Governance





Foveaux Alliance Vision

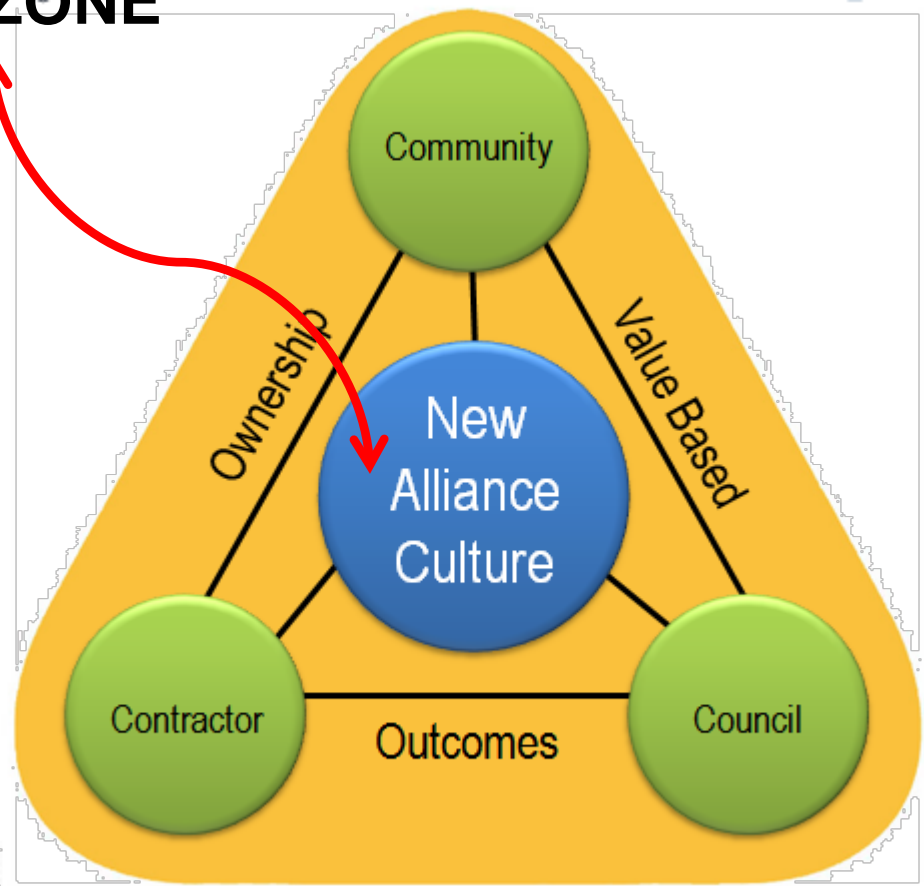
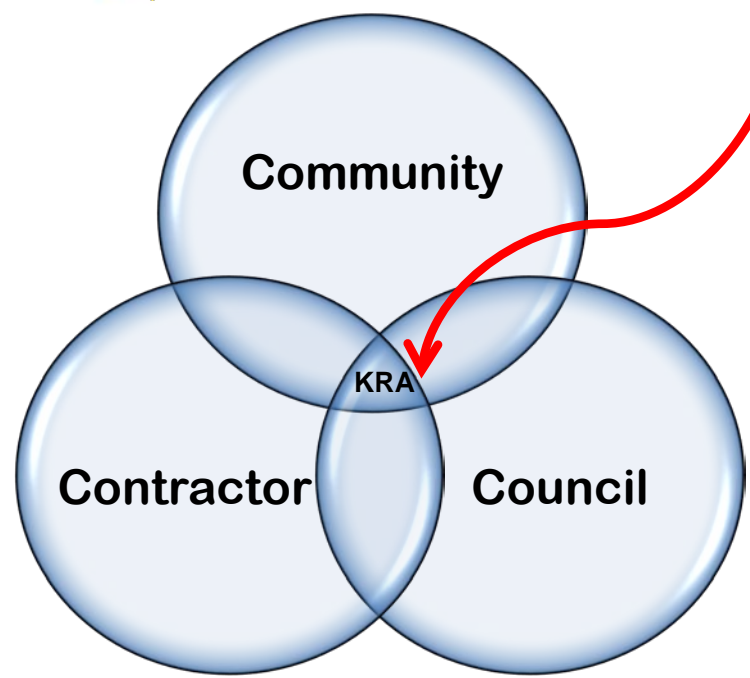
“Through an innovative alliance culture deliver value to our customers, communities and stakeholders whilst maintaining and improving the total assets.”





The Alliance Culture

KRA ZONE



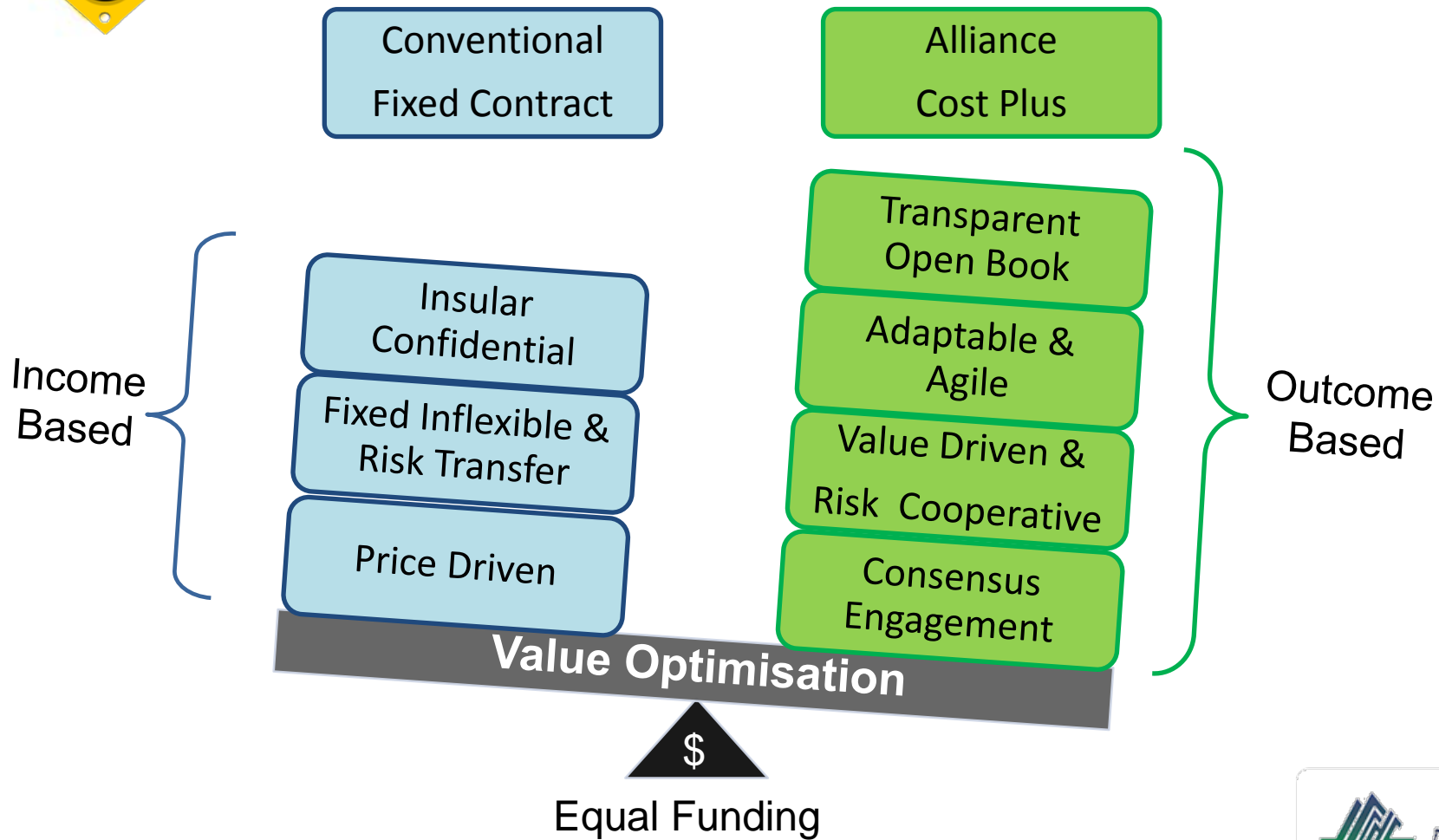


Interventions Sought





Balancing Outcomes





Single-most best thing

- **Flexible Agility:** Team flexibility to move investment from one activity to another, to meet ever changing need of network (impossible with fixed contracts)



Risk Mitigation

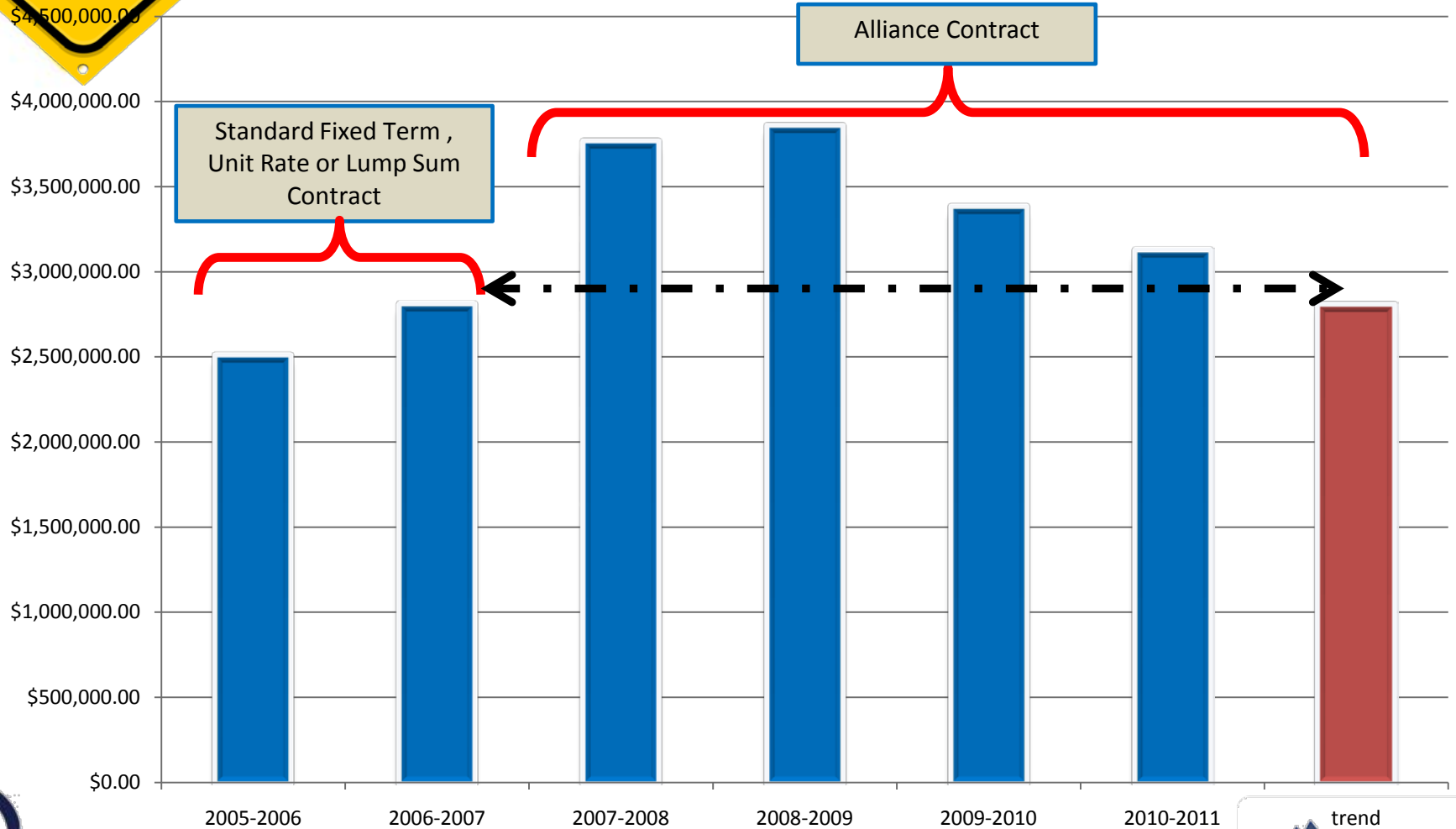
Manage risk v fixed transferred risk:

- pay up front for full risk mitigation \$\$\$\$
- pay later for failure recovery \$\$\$
- fixed contract, either way council pays \$\$\$
- Alliance actively manages risk \$\$
- Alliance actively manages shared risk \$



Determining Value

4 Year Alliance Progression



Alliance

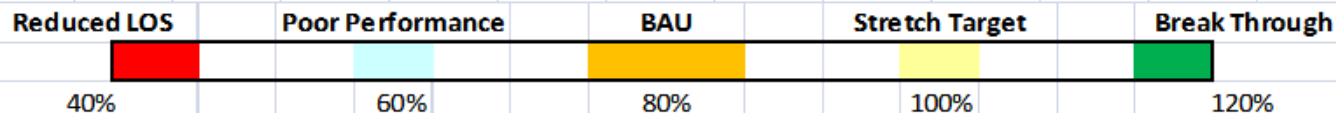




Alliance KRAs

KRA Performance Summary

Foveaux Contract Key Result Area	KRA Weighting	Annual Target (BAU)	2007/08		2008/09		2009/10		2010/11		2011/12		2012/13
			Measured Score	Weighted Score	Measured Score	Weighted Score	Measured Score	Weighted Score	Measured Score	Weighted Score	Measured Score	Weighted Score	Measured Score
Unsealed Road Maintenance	30%	80%	74%	22%	85%	25%	88%	26%	74%	22%			
Sealed Road Maintenance	25%	80%	91%	23%	95%	24%	103%	26%	93%	23%			
Township Maintenance	10%	80%		8%		8%		8%					
Network Condition (Drainage)	20%	80%	76%	15%	99%	20%	93%	19%	110%	22%			
Road Safety	5%	80%		4%		4%		4%					
Environment and Sustainability	5%	80%		4%		4%		4%					
Network Availability	0%	80%		0%		0%		0%					
Alliance Team Mgmt & Direct Costs	5%	80%		4%		4%		4%					
Stewart Island		80%											
Non-Scheduled Works		80%											
Total	80%		80%		89%		91%						





Summary

Alliance Attributes:

- Outcome managed v income preservation
- Flexible & Agile v locked in & fixed term
- Transparency & Open Book v Info Silos & No Trust
- Managing Risk Shared v Managing Risk Transferred
- Adaptive Ownership v Change Adversity
- Leadership & Innovative v No Alignment & Nil Ownership

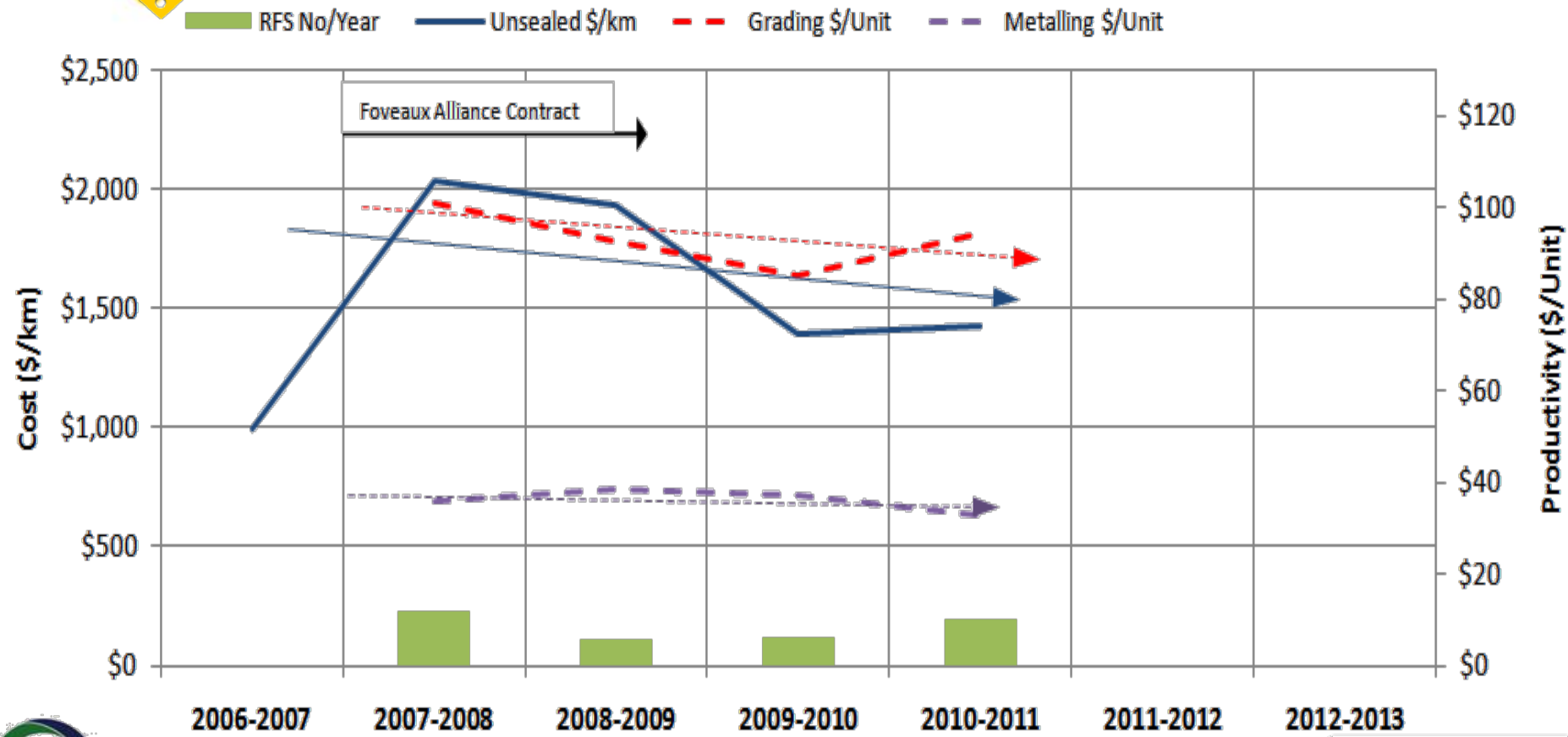


Data & KRA Appendices



KRA Unsealed Investment

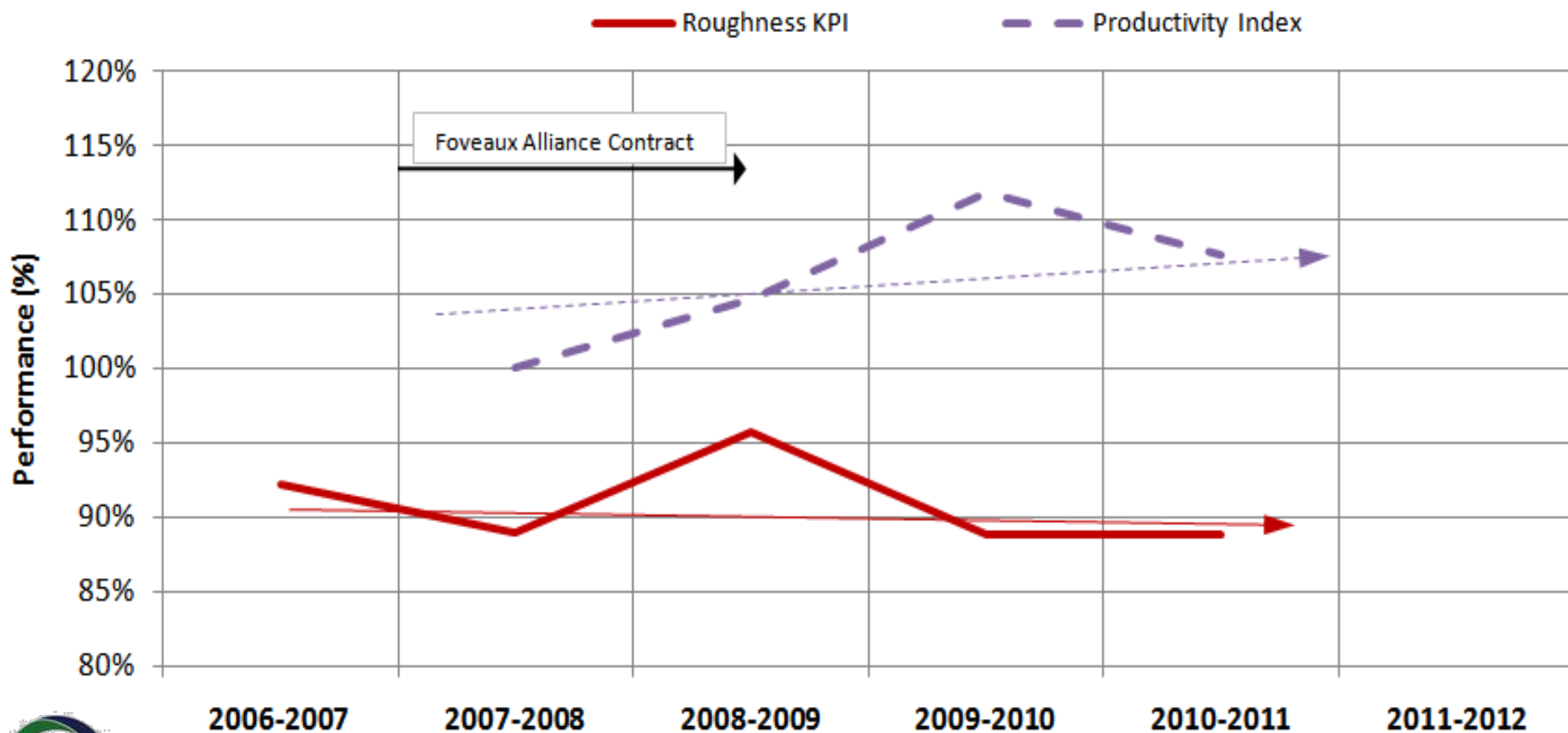
Unsealed Pavement Key Result Area - Inputs





KRA Unsealed Outcomes

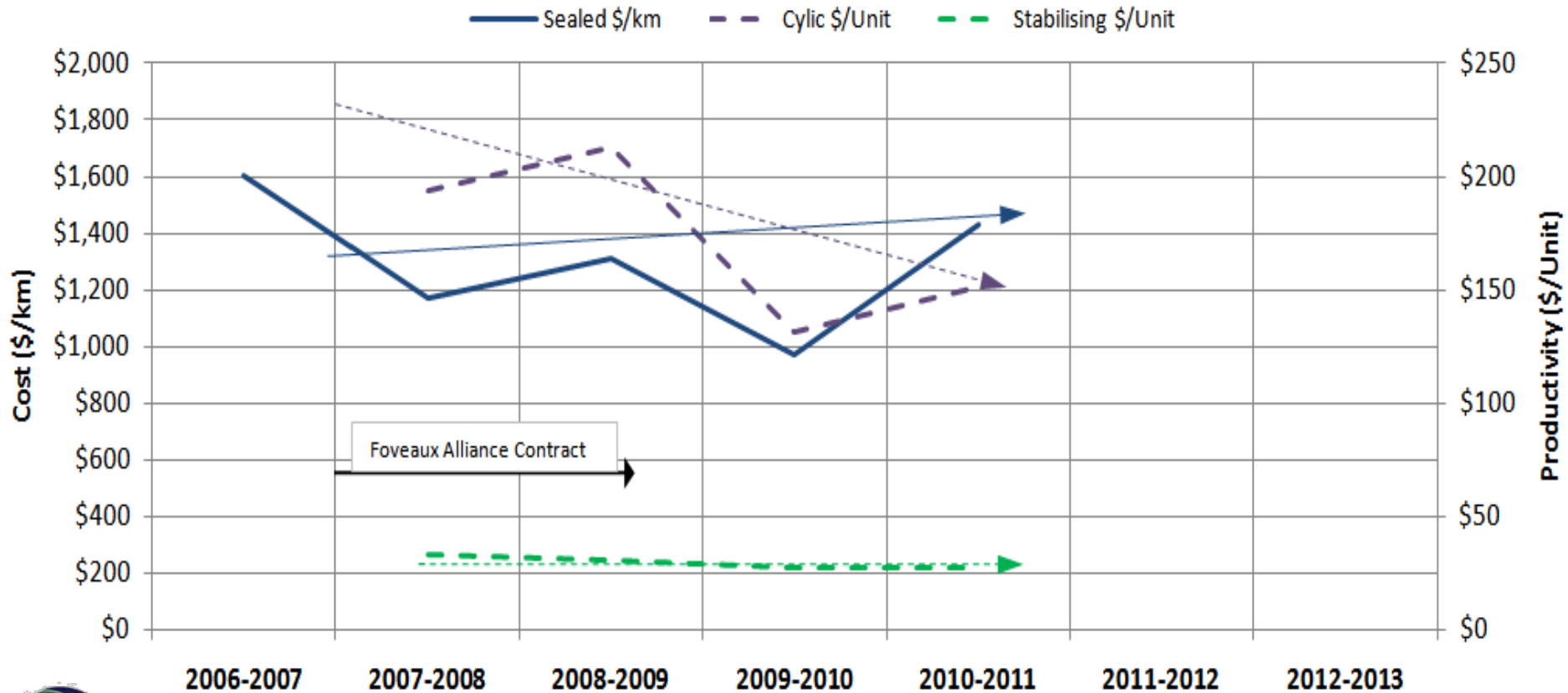
Unsealed Pavement Key Result Area - Outcomes





KRA Sealed Investment

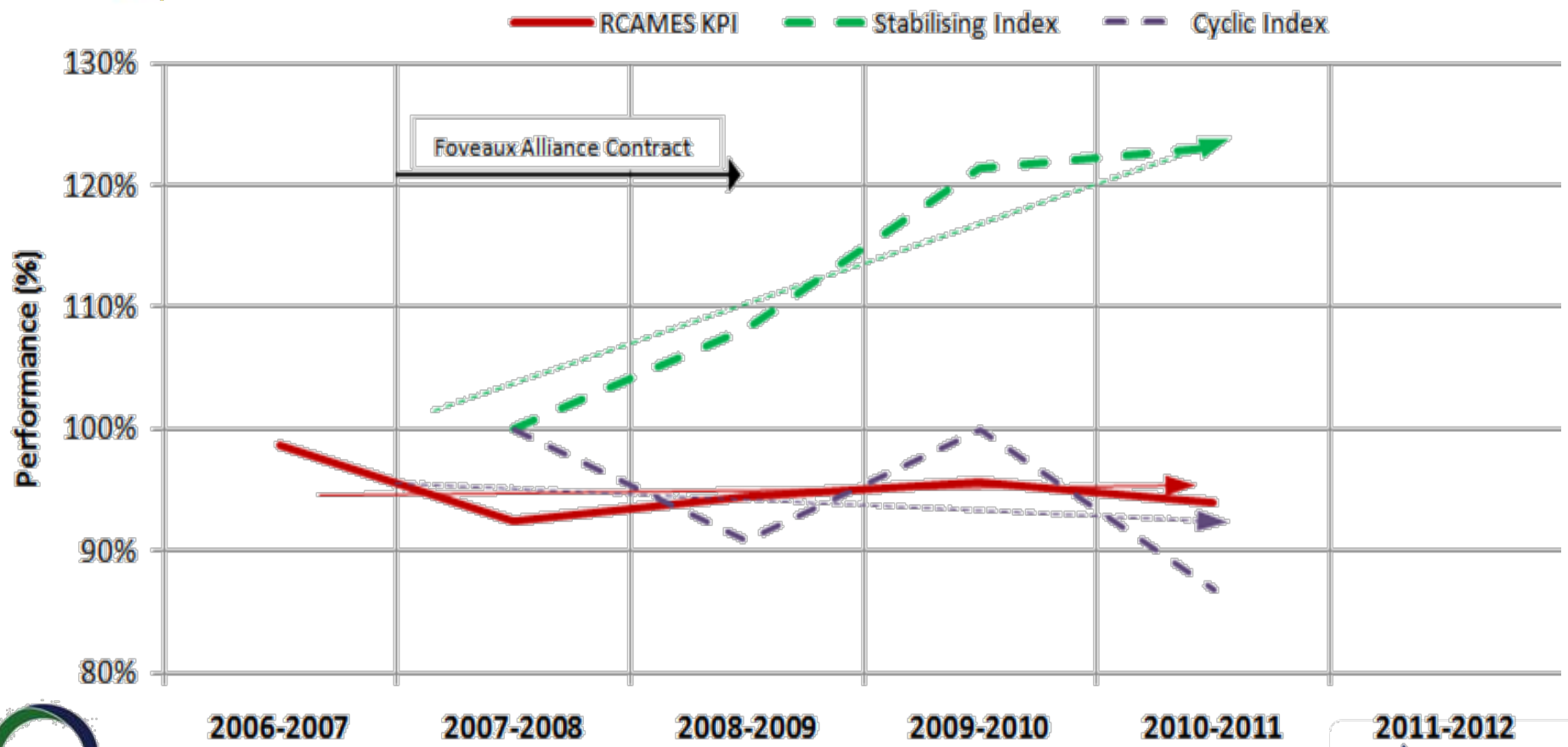
Sealed Pavement Key Result Area - Inputs





KRA Sealed Outcomes

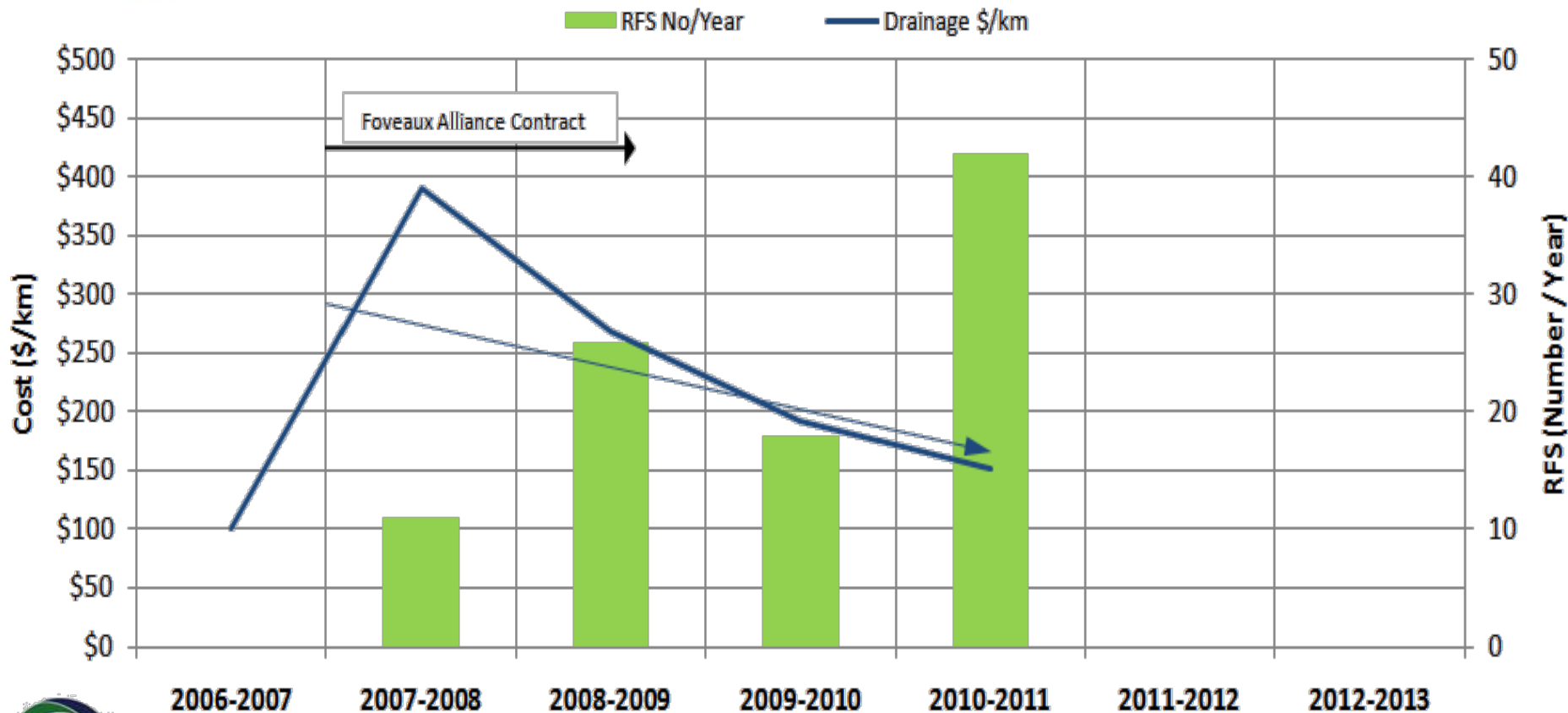
Sealed Pavement Key Result Area - Outcomes





KRA Drainage Investment

Drainage Key Result Area - Inputs

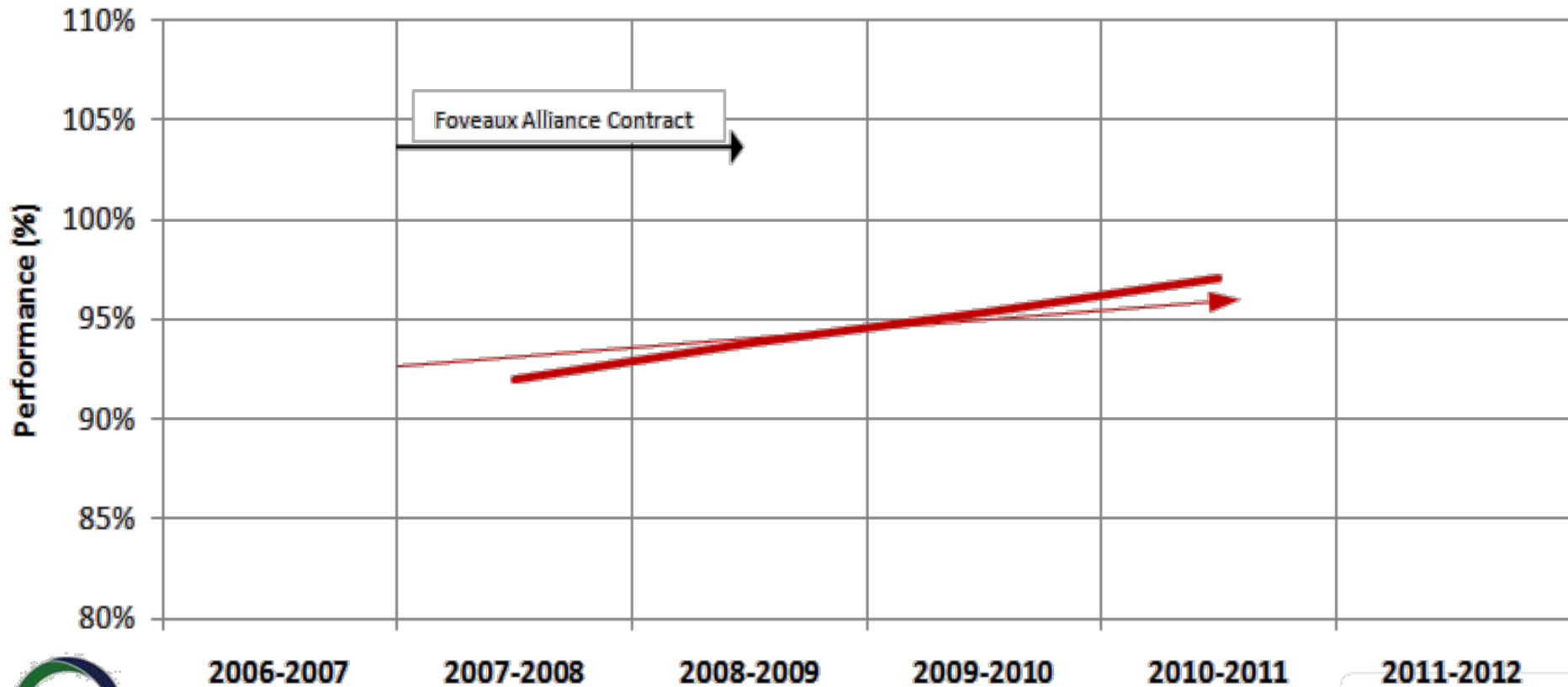




KRA Drainage Outcomes

Drainage Key Result Area - Outcomes

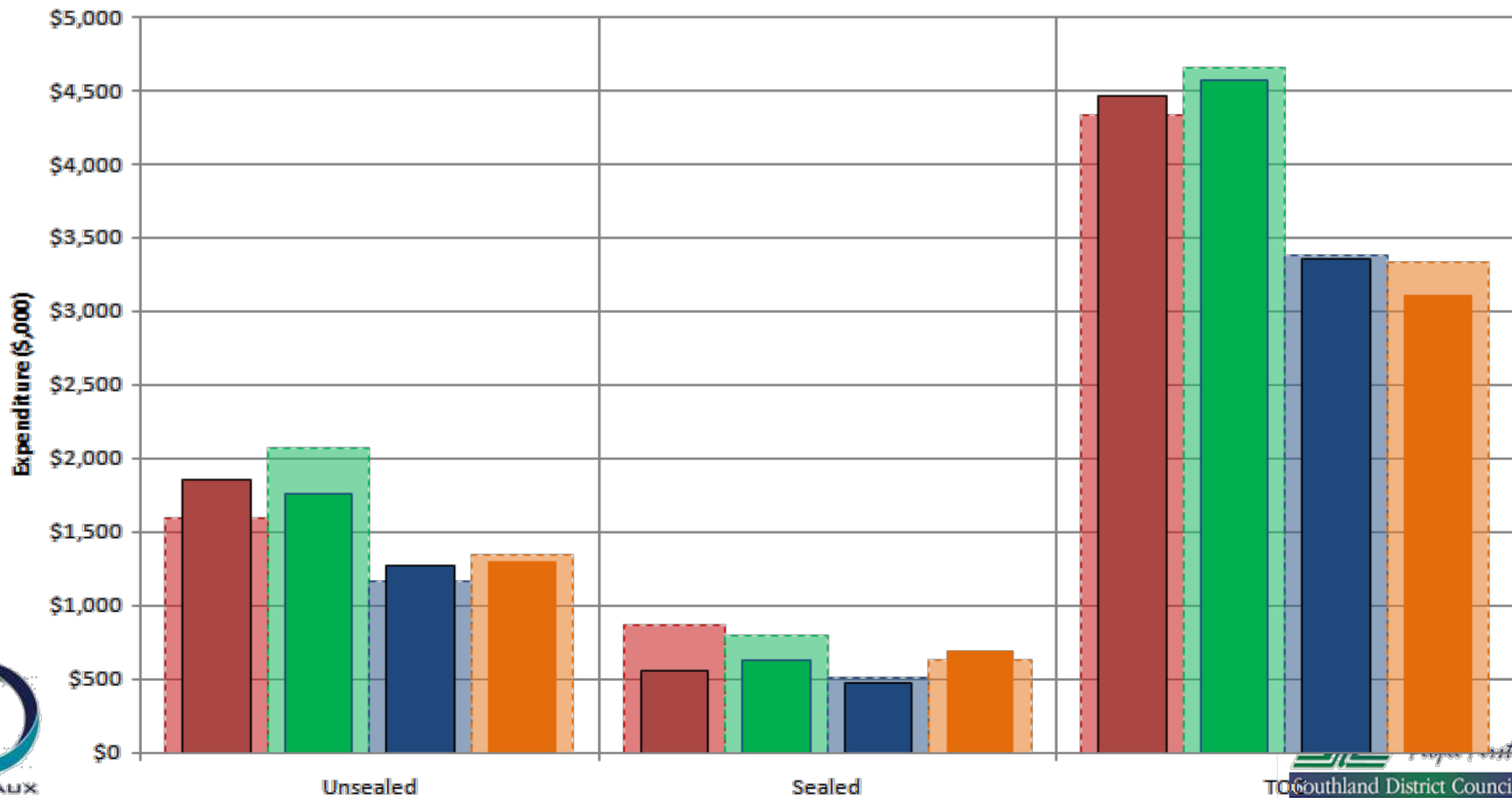
RCAMES KPI





Cost + Margin F'cast vs Actual

- 2007-2008 (14 mths) target
- 2008-2009 target
- 2009-2010 target
- 2010-2011 target
- 2007-2008 (14 mths) actual
- 2008-2009 actual
- 2009-2010 actual
- 2010-2011 Forecast actual





END