

SAAQ Risk Sharing Model

Key Facts

- Schedule is organized by deliveries (Livraisons) and subdivided by Lots (See next slide)
- A budget is planned for both SAAQ and Alliance resources for each lot within each delivery
- SAAQ also requested a formal % of contingency to be applied on each lot and for each delivery.
- There is also a concept for a bank of hours to be accumulated:
 - If a lot is delivered under planned budget, the delta budget is shared 50% / 50% between SAAQ and IBM and the positive variance is added to a bank of hours that can be drawn upon by future lots (Up to 10%)
 - If a saving of more than 10% is achieved, the delta over 10% is added to the formal contingency budget
 - If a lot is delivered over planned budget then the cost overrun is split 50% / 50% between the SAAQ and IBM:
 - If the 50% IBM cost overrun share is less than the banked amount, IBM taps into its bank to cover the delta
 - If the 50% IBM cost overrun share is more than the banked amount, IBM uses what is available in its bank and uses the contingency at a potential reduced rate for the portion of hours that cannot be covered by the banked contingency amount
 - If budget was added to the contingency due to budget efficiency on previous deliveries, the gap is first covered by this budget at a 100% rate card (NEW FROM COMPETITIVE DIALOGUE)
 - And then a 15%,20% or 30% rate reduction based on percentage of gap
- Budget includes IBM and SAAQ hours and associated costs
- The bank is carried forward from delivery to delivery
- Contingency is by delivery and it can be carried over by a decision of the joint leadership team (NEW FROM COMPETITIVE DIALOGUE)

SAAQ Risk Sharing Model Simulation

DELIVERY 0

Delivery 0

Lot 1
Lot 2
Lot 3
Lot 4

Optimised

Cost
90%

Risk Sharing
10%

Total

Contingency
10%

2 791 800 \$	310 200 \$	3 102 000 \$
3 920 400 \$	435 600 \$	4 356 000 \$
3 920 400 \$	435 600 \$	4 356 000 \$
2 613 600 \$	290 400 \$	2 904 000 \$

14 718 010 \$

1 471 801 \$

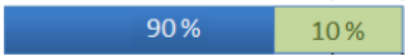
Delivered on Budget

Lot 1

Budget du lot



Coût réel du lot



IBM Bank

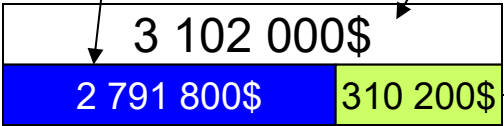
Contingency

0\$

1 471 801\$

Planned

Opening Balance:

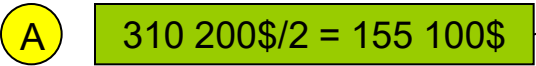


Actual



Risk Sharing Calculation:

10% Lot Risk sharing



155 100\$

Balance after calculation

155 100\$

1 471 801\$

10% du budget du lot est à répartir, en parts égales, entre la SAAQ et l'alliance.

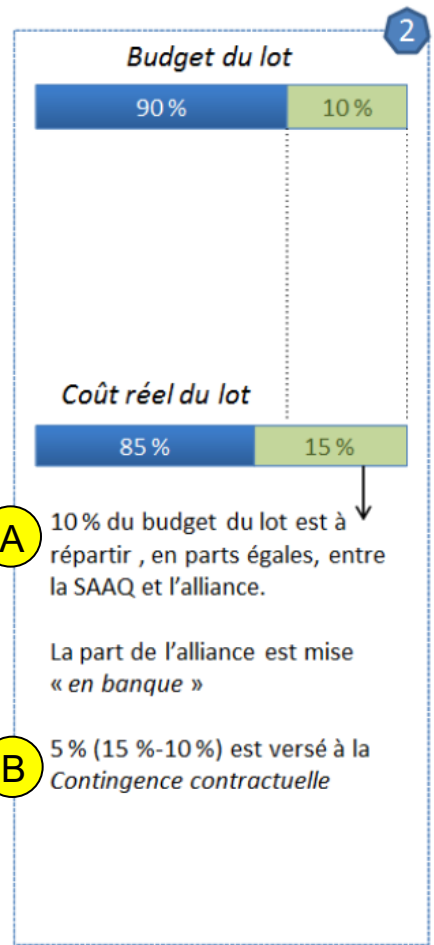
La part de l'alliance est mise « en banque »

DELIVERY 0

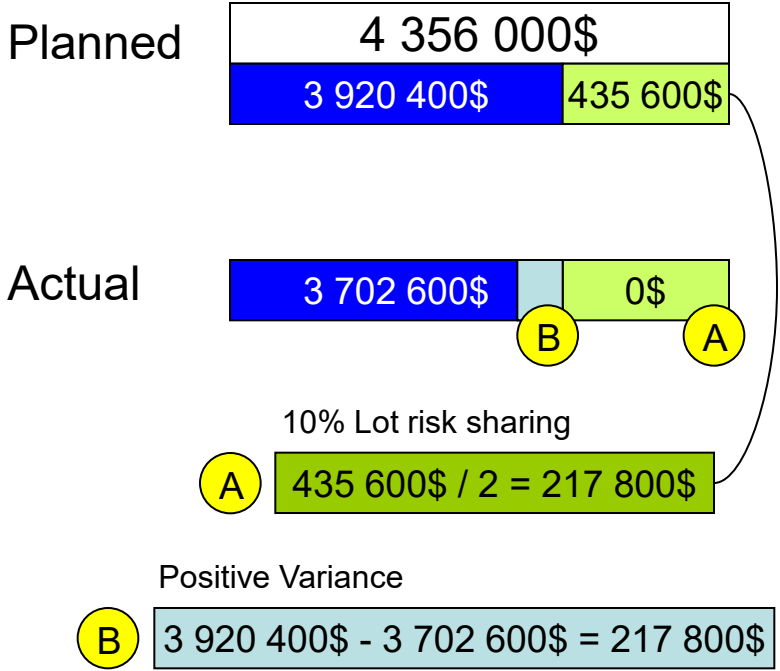
Delivery 0	Optimised	Risk Sharing	Total	Contingency
	Cost 90%			10%
Lot 1	2 791 800 \$	310 200 \$	3 102 000 \$	
Lot 2	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 3	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 4	2 613 600 \$	290 400 \$	2 904 000 \$	
			14 718 010 \$	1 471 801 \$

Delivered 5% under optimised cost

Lot 2



IBM Bank	Contingency
Carried Forward Balance: 155 100\$	1 471 801\$



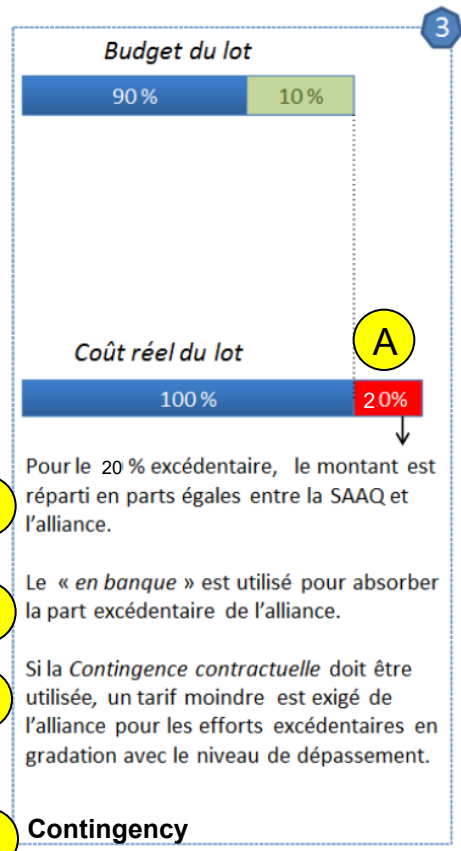
217 800\$	
	217 800\$
Balance after calculation	372 900\$ 1 688 201\$

DELIVERY 0

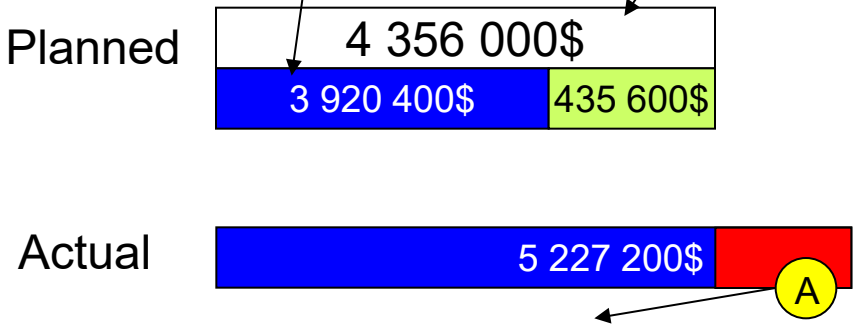
Delivery 0	Optimised Cost 90%	Risk Sharing 10%	Total	Contingency 10%
Lot 1	2 791 800 \$	310 200 \$	3 102 000 \$	
Lot 2	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 3	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 4	2 613 600 \$	290 400 \$	2 904 000 \$	
			14 718 010 \$	1 471 801 \$

Exceeded planned budget by 30%

Lot 3



	IBM Bank	Contingency
Carried Forward Balance:	372 900\$	1 688 201\$



A $5\,227\text{k\$} - 4\,356\text{ k\$} = 871\,200\$$

B $871\,200\$ / 2 = 435\,600\$$ C (372 900\$)

D $435\,600\$ - 372\,900\$ = 62\,600\$$

E $(62\,600 + 435\,600) * (1 - 20\%) = 398\,560\$$ (398,560\$)

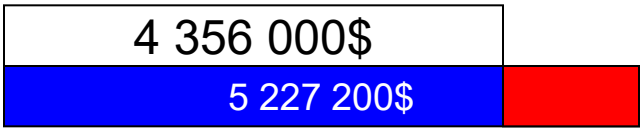
Balance after calculation	0\$	1 289 641\$
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DELIVERY 0

Delivery 0	Optimised Cost 90%	Risk Sharing 10%	Total	Contingency 10%
Lot 1	2 791 800 \$	310 200 \$	3 102 000 \$	
Lot 2	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 3	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 4	2 613 600 \$	290 400 \$	2 904 000 \$	
			14 718 010 \$	1 471 801 \$

Exceeded planned budget by 30%

Lot 3 Actual IBM Bank Contingency



	Optim.cost + 10% rs	Actual Cost	Paid to IBM
IBM	\$4,356,000	\$5,227 200	\$4,782 110

Opt. cost+ 10% = \$4,356,000
Banked Value = \$ 372,900
Contingency = \$ 398, 560
Total Payment = \$5,127, 460

- \$372 900 (points to Banked Value)

- \$ 398 560 (points to Contingency)

IBM Revenue loss	1.9%
5, 227,200 – 5 127 460 = \$ 99, 740	

DELIVERY 0

Delivery 0

- Lot 1
- Lot 2
- Lot 3
- Lot 4

Optimised

Cost
90%

Risk Sharing
10%

Total

Contingency
10%

2 791 800 \$
3 920 400 \$
3 920 400 \$
2 613 600 \$

310 200 \$
435 600 \$
435 600 \$
290 400 \$

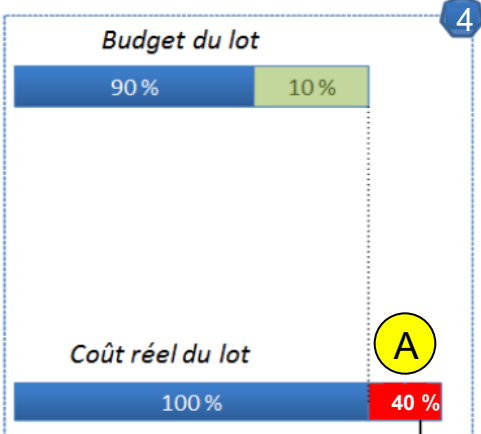
3 102 000 \$
4 356 000 \$
4 356 000 \$
2 904 000 \$

14 718 010 \$

1 471 801 \$

Exceeded planned budget by 35%

Lot 4



B Pour le 40% excédentaire, le montant est réparti en 40 parts égales entre la SAAQ et l'alliance.

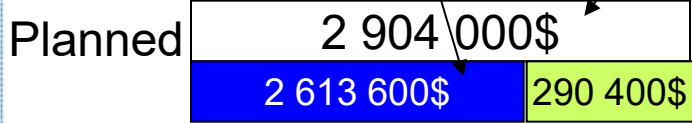
C Le « en banque » est utilisé pour absorber la part excédentaire de l'alliance.

D Si la Contingence contractuelle doit être utilisée, un tarif moindre est exigé de l'alliance pour les efforts excédentaires en gradation avec le niveau de dépassement.

% CC used	Rate Reduction %	\$ Bracket
0-25%	15%	\$ 322,410
25%-75%	20%	\$ 967,231
75%-100%	30%	\$ 1,289,641

Carried Forward Balance:

IBM Bank	Contingency
0\$	1 289 641 \$



A $4\,065\,600\$ - 2\,904\,000\$ = 1\,161\,600\$$

B $1\,161\,600\$/2 = 580\,800\$$

D $580\,800\$$ No bank available so N/A

E $322,410\$ * (1-15\%) = 274,048\$$

F $(1,161,600\$ - 322,410) * (1-20\%) = 671,352\$$ → (945,400\$)

Balance after calculation 0\$ 344,241 \$

DELIVERY 0

Delivery 0	Optimised Cost 90%	Risk Sharing 10%	Total	Contingency 10%
Lot 1	2 791 800 \$	310 200 \$	3 102 000 \$	
Lot 2	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 3	3 920 400 \$	435 600 \$	4 356 000 \$	
Lot 4	2 613 600 \$	290 400 \$	2 904 000 \$	
			14 718 010 \$	1 471 801 \$

Exceded 20% over total budget of efforts

Lot 4
Actual

IBM Bank

Contingency



	Optim.cost + 10% rs	Actual Cost	Paid to IBM
IBM	\$2,904,000	\$4,065,600	\$3,388,988

Opt. cost +10%= \$2,904,000

Banked Value = \$ 0,000

Contingency = \$ 945,400

Total Payment = \$ 3,849,400

\$ 0.00

-\$ 945,400

IBM Revenue loss	5.3%
4,065,600 – 3,849,400 = \$ 216,200	