



# Contracting Dynamics

Gas Electric Partnership  
February 11, 2009

**Lisa Honey**

Senior Supply Chain Specialist, Rotating Equipment  
BP Global Supply Chain

# Fundamentals



- How important is my company to a supplier?
- What is core to my company's business?
  - Maintenance
  - Operations
- Lease vs. Buy analysis
- Planning (short and long term)
  - When and How Long?

# Fundamentals (cont.)



- Driver Misalignment
  - Lost production vs. lost rental revenue
- How is your company organized?
  - Central procurement organization vs. releases in the field.
- Master Rental Agreement with Releases
  - Who prepares the release?

# What if?



- Larger/smaller unit needed
- Additional unit
- Option to Purchase
- Cancellation
- Assignment
- Stand by rates

# Compensation Models



- All-inclusive rates
  - Transparency-What am I paying for?
- Bare Rental
- Labor only
- Throughput based

# Compensation (cont.)



- Pay Now or Pay Later, and How do you track?
  - Overhauls
  - Ad valorem taxes
    - Contract Clauses
- Escalation Clauses
- Mileage
- Fuel Surcharges

# Labor



- Do I have a good scope of work?
- Travel time
- After hours callouts
- Dedicated personnel
- Mandatory Safety Training

# Equipment



- How many hours are on this machine?
- When was it last overhauled?
- How do we work obsolete equipment out of the fleet?
- Integrity Management Standards
  - Pay now or pay later?

# Equipment (cont.)



- Do I know what is production critical?
  - Immediate callout vs. next day
  - Have I advised my supplier?
- Optimization
  - Plan of Depletion
  - What does it cost to move a unit?
  - Planning

# Metrics



- Is the data you want to measure readily available?
- Do you have the resources to analyze it?
- Are you willing and able to enforce penalties?

# You get what you reward



- What behavior does my contract reward/penalize?
  - Unit availability
  - Compensation structure
- Incentive Programs-do they work?

# Building Strong Contracts and Relationships



- Make sure the right people are involved
- Proper risk allocation
- Detailed compensation schedules
- Handling Changing Market Conditions
- Regular, open communication