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Image sourced from Victoria's Big Build website

Incentivised Target Cost Specifications

Project Scope: Major Roads Projects Victoria (MRPV) has recently made significant changes to how it procures contractors for road upgrades.

Future road upgrades will be awarded to pre-qualified contractors using the new Program Delivery Approach (PDA).

Projects will be awarded based on the contractors' capability, capacity, past performance and their ability to deliver value-for-money solutions.

The PDA approach includes a new contract model, the Incentivised Target Cost (ITC).

Services: Smedley Technical and Strategic (SmedTech) was engaged by MRPV to support the development and implementation of the new ITC contracting methodology, which blends the framework of the Design and Construct (D&C) contract with a collaborative contract framework. SmedTech worked in partnership with MRPV and MRPV's legal advisor to prepare a template specification for the new ITC contract to work in combination with the contract General Conditions prepared by MRPV's legal team.

The development of the template contractual documentation involved a review and assessment of the existing D&C contract requirements with the purpose of establishing a fit for purpose set of the documentation for the ITC. This included a Generic component and a Project Specific component.

As part of the engagement, MRPV established a specification working group, which we worked closely with to ensure that the new documentation and supporting requirements were consistent with MRPV's intent and objectives for the ITC. The outcome of the engagement was a new ITC specification template, which is now in use by MRPV project teams.

Following the development of the template specification, SmedTech has continued to assist MRPV in providing support for the development of the project specific technical specifications and has provided assurance review services for the majority of MRPV's major road projects procured under the ITC model, including:

- Metropolitan road projects such as Craigieburn Road Upgrade, Hallam Road Upgrade and Fitzsimons Lane Upgrade; and
- Regional road projects such as Princess Highway East Upgrade, and Barwon Heads Road Upgrade.