

## Pay for Performance Determines Contractor's Fee

Pay for Performance is a new approach to capital project execution. It reimburses the contractors' costs and bases all fees on the degree to which project objectives are met. It provides increased benefits to the owner through improved project execution. Prior to project authorization, a team including personnel from each contractor involved, establishes performance criteria for safety, quality, cost, and schedule. This criteria is based on final project results, not functional results. The contractors base their fees on these common objectives so that each contractor has a stake in the performance of the other. As a result, project administration is simplified, cost reduction ideas are increased, overtime is reduced, field work is reduced, and plant checkout and commissioning time is cut in half. The Pay for Performance approach creates a high degree of cooperation, teamwork, and innovation.

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