

NEC Experience Sharing on Improvement of Fuk Man Road Nullah Partnering and Financial Aspects from Contractor's view



Ir Ko Wing Nin, Ken

NEC Experience Sharing on Improvement of Fuk Man Road Nullah

Agenda

- Tendering
- Subletting
- Early Warning Notification



NEC Experience Sharing on Improvement of Fuk Man Road Nullah Partnering

Partnering

ECC Clause 10.1

“The Employer, the Contractor, the Project Manager and the Supervisor shall act as stated in this contract and in a spirit of mutual trust and co-operation.”

= REAL PARTNERING



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Engineering and Construction Contract - Option C Tendering



Tendering

ECC+ACC

GCC (Remeasurement)

- Activity Schedule (Appendix C) - Lump Sum Prices for each activity
- BQ items – with estimated quantities and fixed rates

ACTIVITY SCHEDULE		
Schedule C		
Activity	Prices (HK\$)	
C	Section I - All works for 3-cell box culvert	
	Arrangement of temporary traffic arrangement (TTA) and drainage diversion	
C.1	Maintenance of traffic flow	\$
C.2	Maintenance and diversion of watercourses and drainage system	\$
C.3	Interim flood protection measures	\$
	Ground investigation and site clearance	
C.4	Ground investigation and instrument installation	\$
C.5	Demolition of existing nullah base, planters and railings	\$
	Construct box culvert	
C.6	Drainage pipes and subsoil drain	\$
C.7	Desilting openings and manhole openings with cover and frame	\$
C.8	Flap valves	\$
C.9	Pipe inlet	\$
C.10	Inlet structure	\$

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Tendered total of the Prices

Tendered Prices = Estimated total cost + Fee

Defined Cost – ECC Clause 11.2(23)

- Payments due to subcontractor
- Cost components in ECC including People, Equipment, Plant and Materials

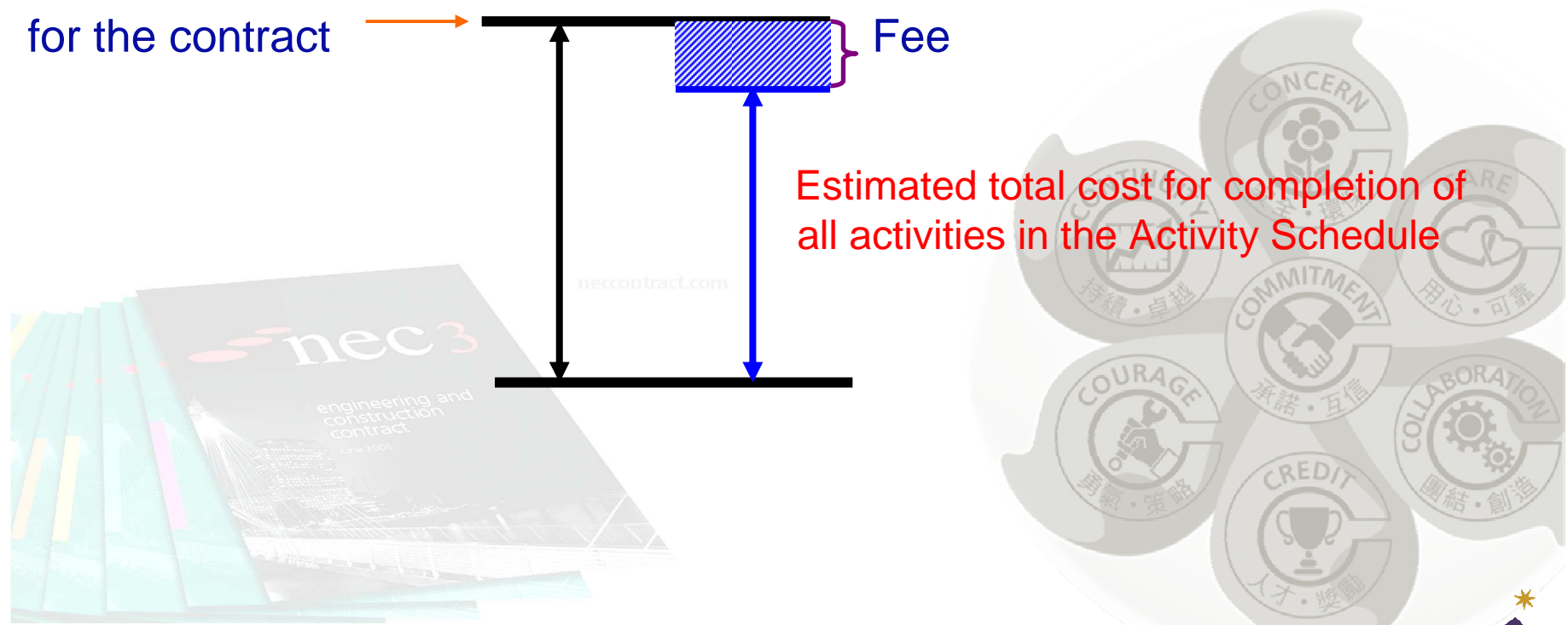
Fee – fee percentage tenderer shall be specified in the Contract Data

The Fee includes all the costs of the Contractor that are not included in Defined Cost, together with his profit and any allowance for his risks.

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Tendered Prices = Estimated total cost + Fee

Tendered Prices
for the contract



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Disallowed Cost – ECC Clause 11.2(25)

- Should not have been paid to a Subcontractor or Supplier in accordance with his contract
- Correcting defects after completion
- Correcting defects caused by the Contractor not complying with constraints in Works Information
- Surplus resources, plant & materials etc
- The cost of preparation for and conduct of an adjudication or proceedings of the tribunal

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Pain / Gain Sharing (Option C) in DC/2008/02 project : -

Actual Cost < Contract Price (Y)

→ Contractor and Client share 50% of gain value.

Actual Cost \leq 110% Contract Price (Y)

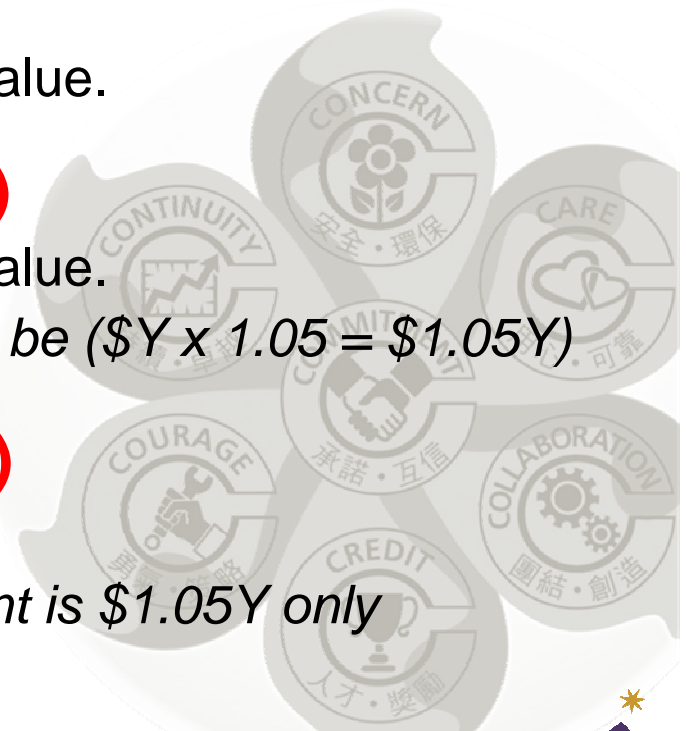
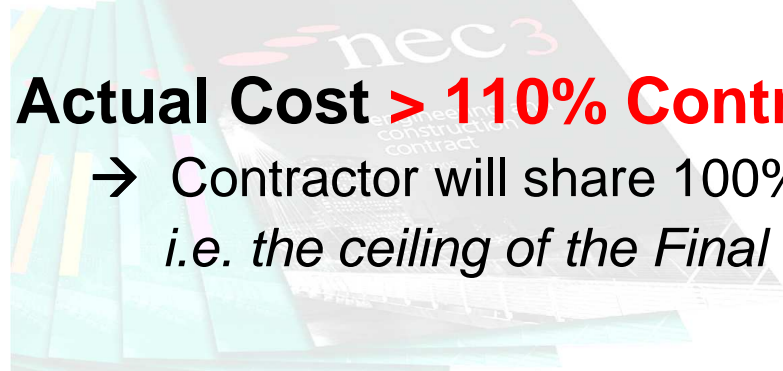
→ Contractor and Client share 50% of pain value.

i.e. The maximum of the Final Account will be $(\$Y \times 1.05 = \$1.05Y)$

Actual Cost > 110% Contract Price (Y)

→ Contractor will share 100% of pain value

i.e. the ceiling of the Final Contract Amount is \$1.05Y only



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Pain / Gain Sharing:

- Encourage joint problem solving
- Incentive to *Contractor* to save Cost
- Gain – 50% / 50% share saved Cost



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Major difference between “ECC” and General Condition of Contract Subletting



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Subcontracting

- **Subletting Procedures** shall be commented and accepted by ***Project Manager*** (Client) and **ICAC** before tendering carried out
- ***Project Manager, Supervisor*** (Consultant), and ***Contractor*** involve in the entire subletting process, to urge ***Contractor*** to select most competent subcontractor and competitive offer
- All propose subcontractor tenderer list need to be approved by the ***Project Manager***

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Subcontracting

- Join tender opening with ***Project Manager's***, ***Supervisor's*** and ***Contractor's*** staff
- ***Project Manager*** or his representative should attend the Tender Interviews with the potential tenderers
- Recommendation of tenderer should get ***Project Manager's*** approval before awarding to proposed tenderer

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Major difference between “ECC” and General Condition of Contract Early Warning Notification



The purpose of the Early Warning Notification is to raise the risk at the early stage and solve the problems together rather than against each other



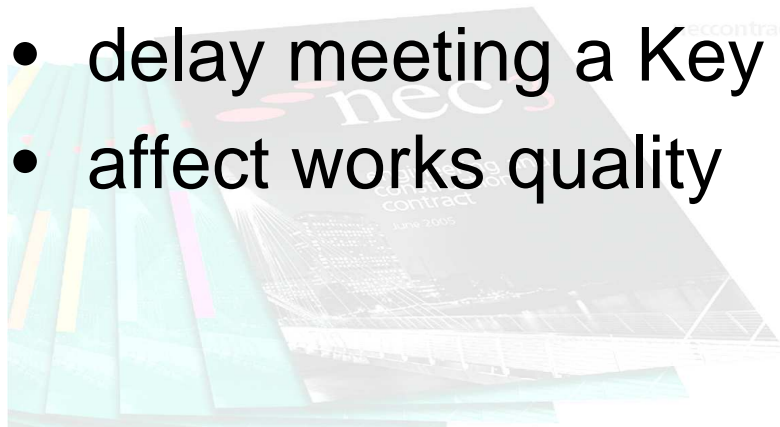
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Contractor and the **Project Manager** give an **Early Warning Notification** by notifying the other as soon as either becomes aware of any matter could

- increase the project price
- delay completion
- delay meeting a Key Date or
- affect works quality



NEC Experience Sharing on Improvement of Fuk Man Road Nullah **Early Warning Notification**

Following the Early Warning Notification, a Risk Reduction Meeting amongst ***Project Manager***, ***Supervisor*** and ***Contractor*** will be conducted. All parties will discuss to find out the root problem and solution for eliminating / reducing the risk together.



Risk is owned by All Parties



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Early Warning Notification

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Risk Register (ECC16.1-16.4)

Following the Risk Reduction Meeting, Risk Register shall be revised by *Project Manager* to record the actions taken for avoiding or reducing the risk.

Risk Register Template (Example)

Risk ID	Identified Risk Item		Existing Control Measures		Initial Risk Analysis			Possible Treatments Additional Risk Control Measures (RCMs)	Treatment Owner	Time frame for Implementation	Residual Risk Analysis			Close Out
	Risk Item	Consequences & Additional Comments / Notes	ECMs Already in Place	ECM Owner	Consequence of Risk with ECMs	Likelihood of Risk with ECMs	Risk Rating with ECMs				Consequence of Risk with additional RCMs	Likelihood of Risk with additional RCMs	Risk Rating with additional RCMs	Comment / Status
1	A degree of variation in actual ground conditions	Extra time required for excavation	Site investigation design stage	PM	Minor	Possible	Medium	Carry out sediment testing earlier	Contractor	By Jan 2011	Minor	Possible	Medium	
2														

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Thank You



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