



Drainage Services Department

# DSD New Engineering Contract Improvement of Fuk Man Road Nullah in Sai Kung

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# Content

- Background
- NEC Administration Experience
- Observations





# Background



- CIRC Report 2001
  - Recommendations
  - 38 – wider adoption of partnering
  - 39 – integrate partnering approach into contractual relationship
  - 44 – wider adoption of alternative procurement approach (e.g., target cost)
- In 2006, Government decided to try out NEC3



# Fuk Man Road Project

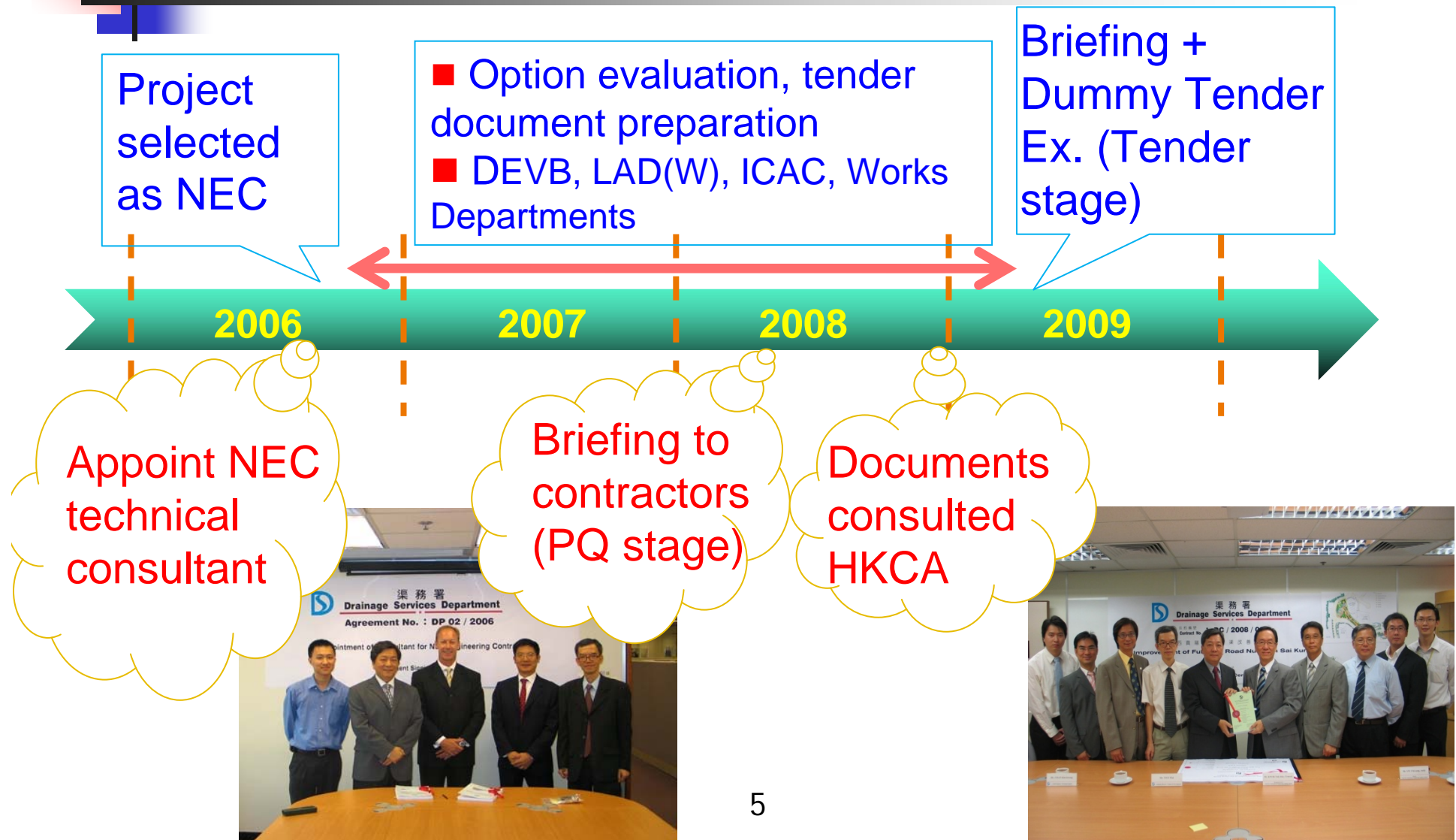
- Improvement of Fuk Man Road Nullah in Sai Kung
  - Decking of 180m long 12m wide open nullah, road & landscaping works
  - Contract sum \$50M
  - Contract period 33 months, from Aug 2009 to May 2012







# DSD's NEC Process





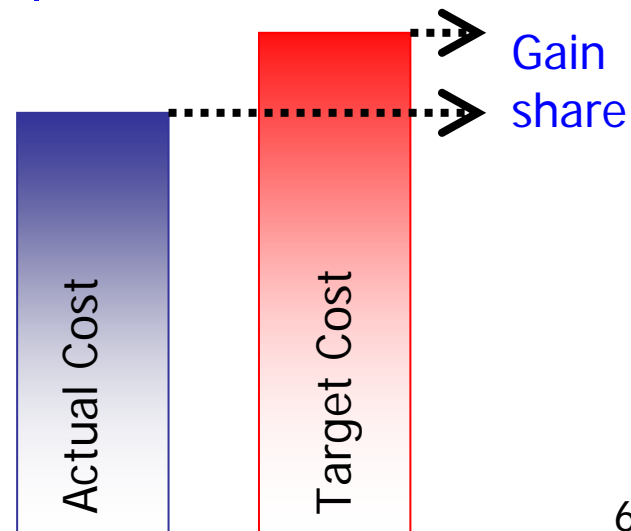
# NEC Option

- Adopt Option C

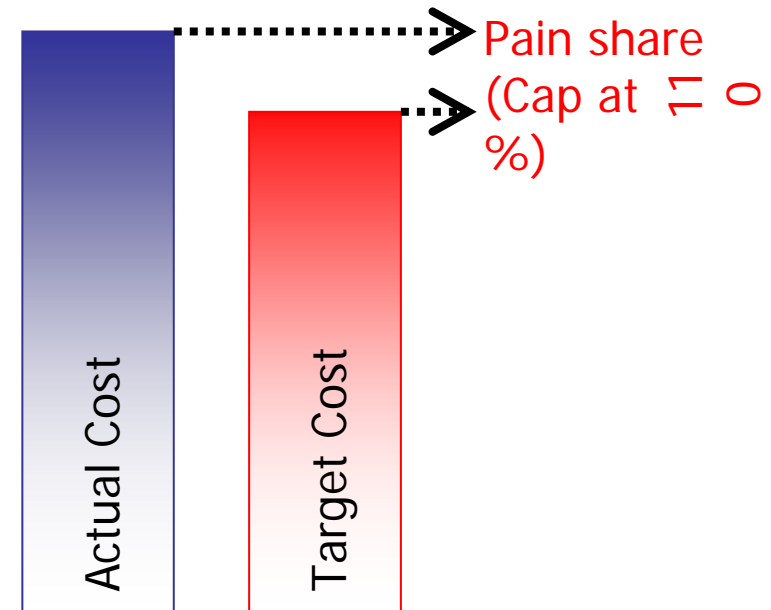


- Target Cost with Activity Schedule

- Pain/gain share – encourage joint problem solving
- Fair risk sharing
- Open book accounting
- Popular in other countries



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# NEC Administration Experience



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*"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**"*



# Partnering

- June 2009, appointed NEC adviser for post-contract advisory service
  - Partnering workshops
  - Joint NEC training

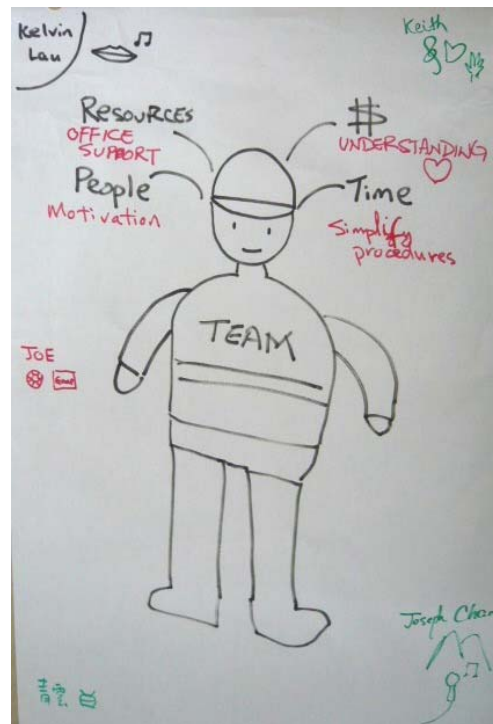






# Partnering

- Partnering workshops
  - Initial Partnering Workshop – set up mutual objectives : time, budget, quality, etc





# Partnering

- Bi-monthly Champion Group Meeting
  - Project Manager, Supervisor, Contractor
  - Review team's performance towards collaborative working
- Pioneer Group
  - Frontline staff





# Partnering

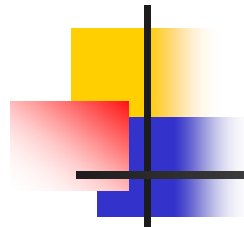
- Joint Site Office
  - PM, Supervisor, Contractor sitting close together
  - Facilitate joint problem solving



Supervisor's ARE

Contractor's E

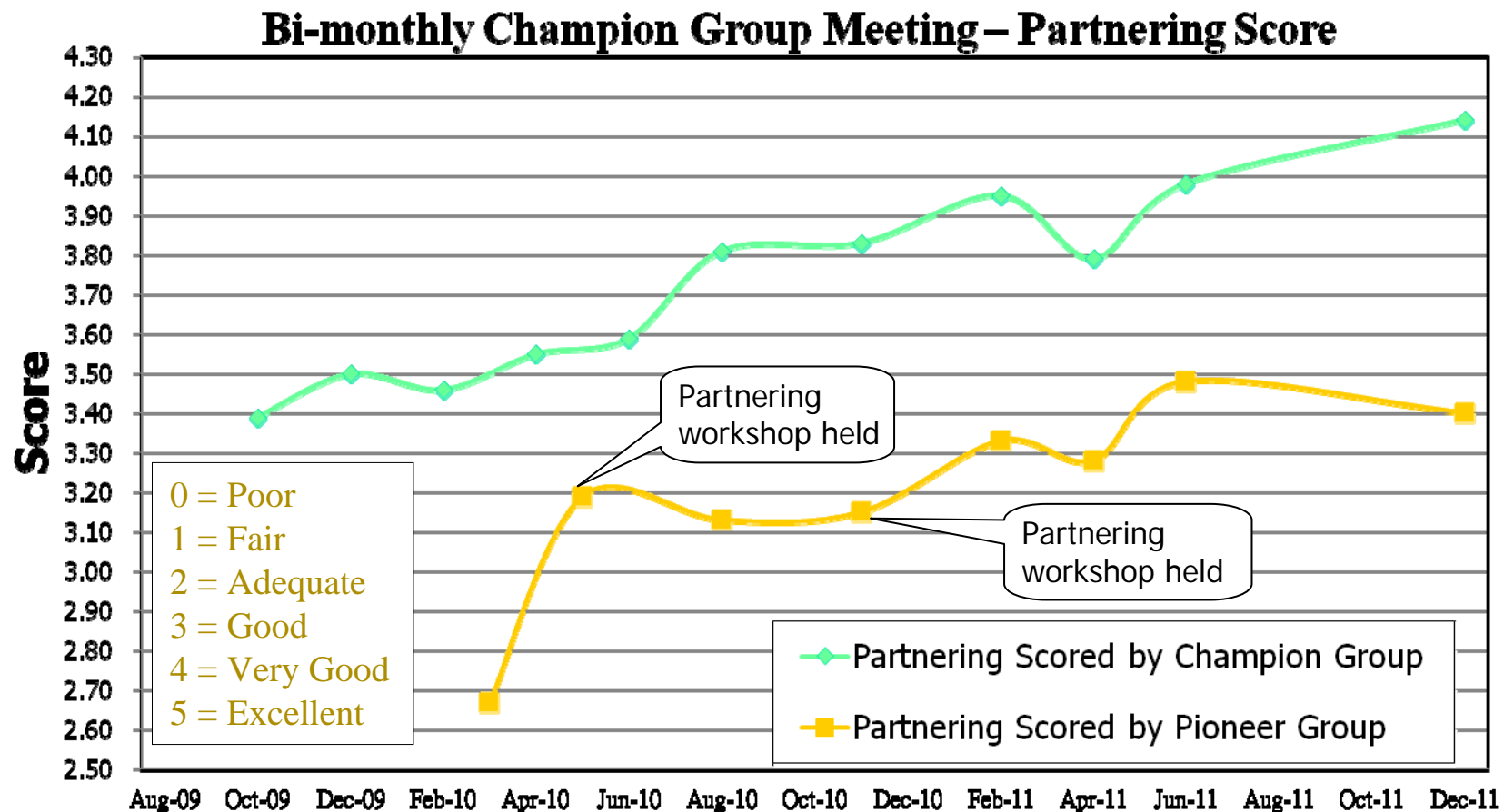




# Monitor Performance



## ■ Bi-monthly Champion Group Meeting





# Key Roles of PM

## ■ Project Manager



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### ■ Time

- Clause 31.3 – Accept programme
- Clause 30.2 – Certify completion

### ■ Cost

- Clause 50.1 and 51.1 – Assess and certify payment







# Key Roles of PM

## ■ Project Manager

### ■ Management of Risks

- Early warnings
- Risk reduction meeting

### ■ Communication

- Clause 13.4 – Reply to communication (within 2 weeks)
- Clause 13.5 – Extend period of reply if PM and Contractor agree





# Key Roles of PM

## ■ Project Manager

### ■ Management of Compensation Events

(As at 15.12.2011)

<b>No. of CE related correspondence (both PM and Contractor's correspondence included)</b>	<b>336</b>
Average time to reply	22 days
Average time to agree a CE (count from Contractor's submission of quotation)	52 days

- Extension of period of reply for complicated case



# Contract Key Issues

- Clause 16.1 – Early Warning
  - *The C and PM give an early warning by notifying the other asap*
    - *Prices*
    - *Delay Completion*
    - *Affect quality*
- Early resolution of problems





# Contract Key Issues

- Interim Payment
- Transparent
  - Facilitates CEs assessment
- Cost Auditing
  - NEC Adviser
  - DSD Staff
- 100% Check?





# Observations

- Observations from Project Team:
  - Collaborative working at managerial level
  - Culture at frontline level – Need time to change
  - Training and team building – very important !!









# Observations

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- Latest Actual Cost – \$67.0M
- Latest Target Cost – \$68.5M
  - Gain Share
- Programme – 3 months ahead (or more!)
- Compensation Events
  - 107 CEs issued
  - 81 CEs agreed, out of 93 quotations submitted (87% agreement)
- Early warnings
  - 15 Early Warning Notices, all resolved
- Finalization – Expected to be 2 / 3 months after completion



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~ Thanks! ~

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