



Drainage Services Department

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

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**Assistant Director/Projects & Development**

**2 February 2012**





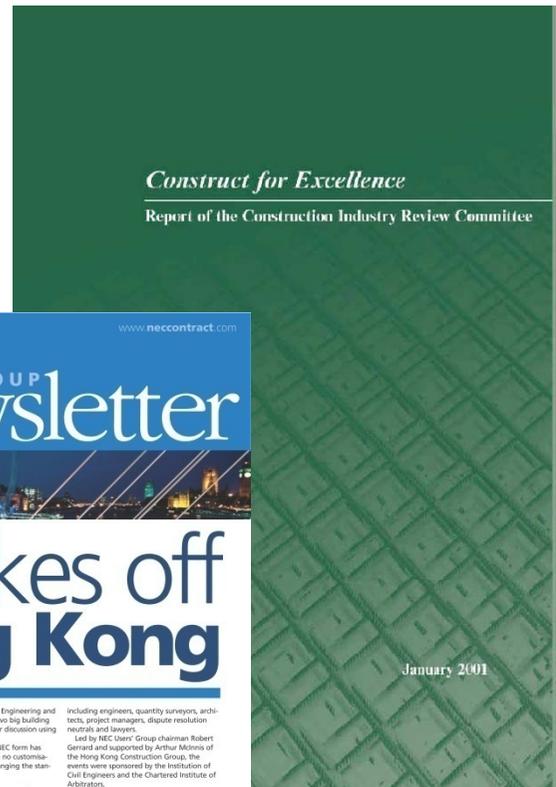
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# Background



## NEC takes off in Hong Kong

BY SIMON FULLALOVE, EDITOR

The Hong Kong Government is considering running a pilot project using the NEC Engineering and Construction Contract (ECC), the first overseas government to do so.

The announcement follows the start of three other NEC procured projects in the special administrative region of the Peoples' Republic of China, possibly heralding a major expansion in use of the contract outside the UK.

### Three contracts already underway

A major airport engineering design contract and a smaller architectural design contract in Hong Kong have recently been let under the NEC Professional Services Contract and a large electrical and mechanical contract

### Over 120 attend training events

As a result of growing interest in the ECC in the China, several two- and three-day training sessions on the contract's application and use were held in Hong Kong during September.

A total of 120 would be users attended,

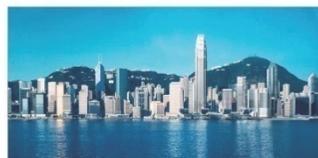
including engineers, quantity surveyors, architects, project managers, dispute resolution neutrals and lawyers.

led by NEC Users' Group chairman Robert Gerard and supported by Arthur McInnes of the Hong Kong Construction Group, the events were sponsored by the Institution of Civil Engineers and the Chartered Institute of Arbitrators.

### Further pilots likely

The training anticipates further piloting of NEC projects in China as well as introduction of adjudication for dispute resolution and in HK Government construction contracts.

It is likely the Hong Kong training programme will be repeated next year and hopefully push into other parts of China and Asia. For further information please contact the NEC office on 020 7855 3468 or email [nec@necontract.com](mailto:nec@necontract.com) ...



The Hong Kong Government is considering a pilot project using the NEC following award of three other NEC contracts in the region.

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- 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

Project selected as NEC

- Option evaluation, tender document preparation
- DEVB, LAD(W), ICAC, Works Departments

Briefing + Dummy Tender Ex. (Tender stage)



Appoint NEC technical consultant

Briefing to contractors (PQ stage)

Documents consulted HKCA





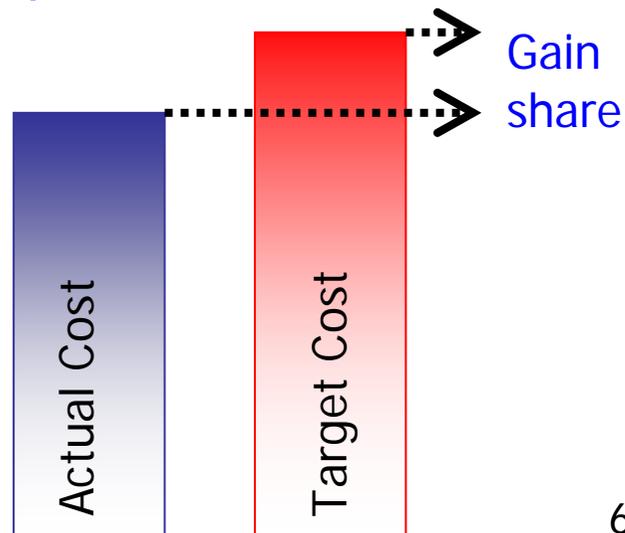
# NEC Option

- Adopt Option C

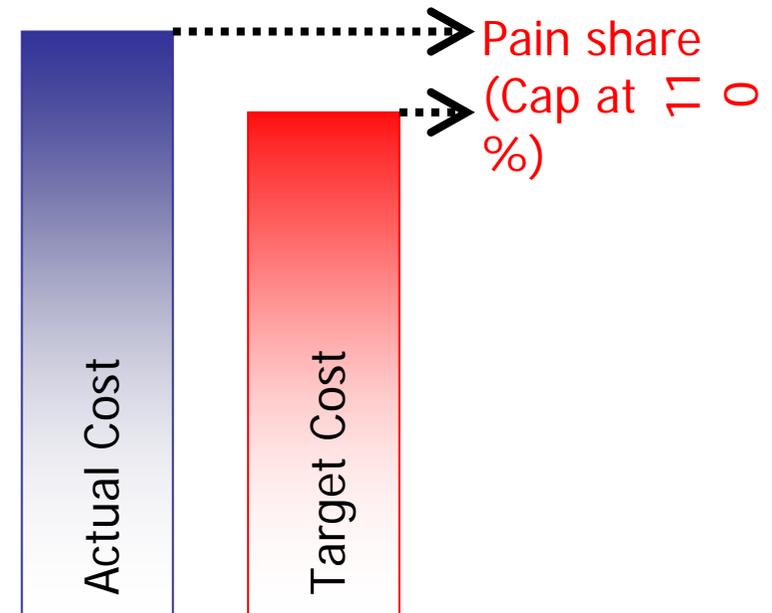


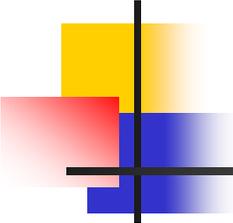
- Target Cost with Activity Schedule

- 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

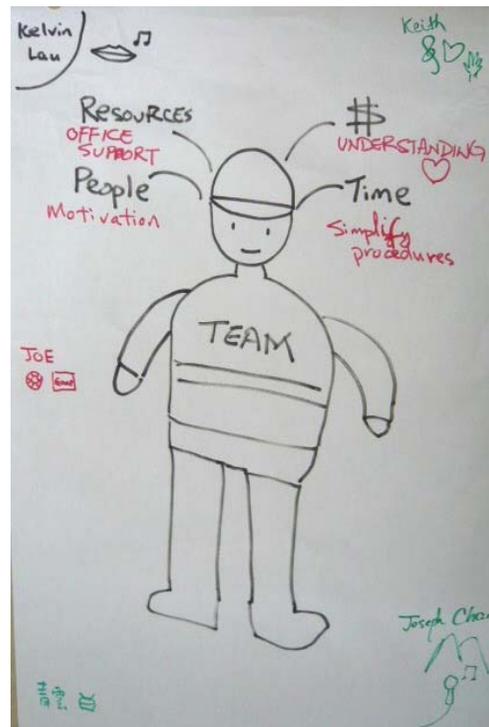
- June 2009, appointed NEC adviser for post-contract advisory service
  - Partnering workshops
  - Joint NEC training





# 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



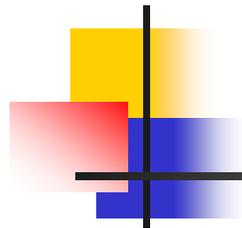
- Joint Site Office
  - PM, Supervisor, Contractor sitting close together
  - Facilitate joint problem solving



Supervisor's ARE

Contractor's E



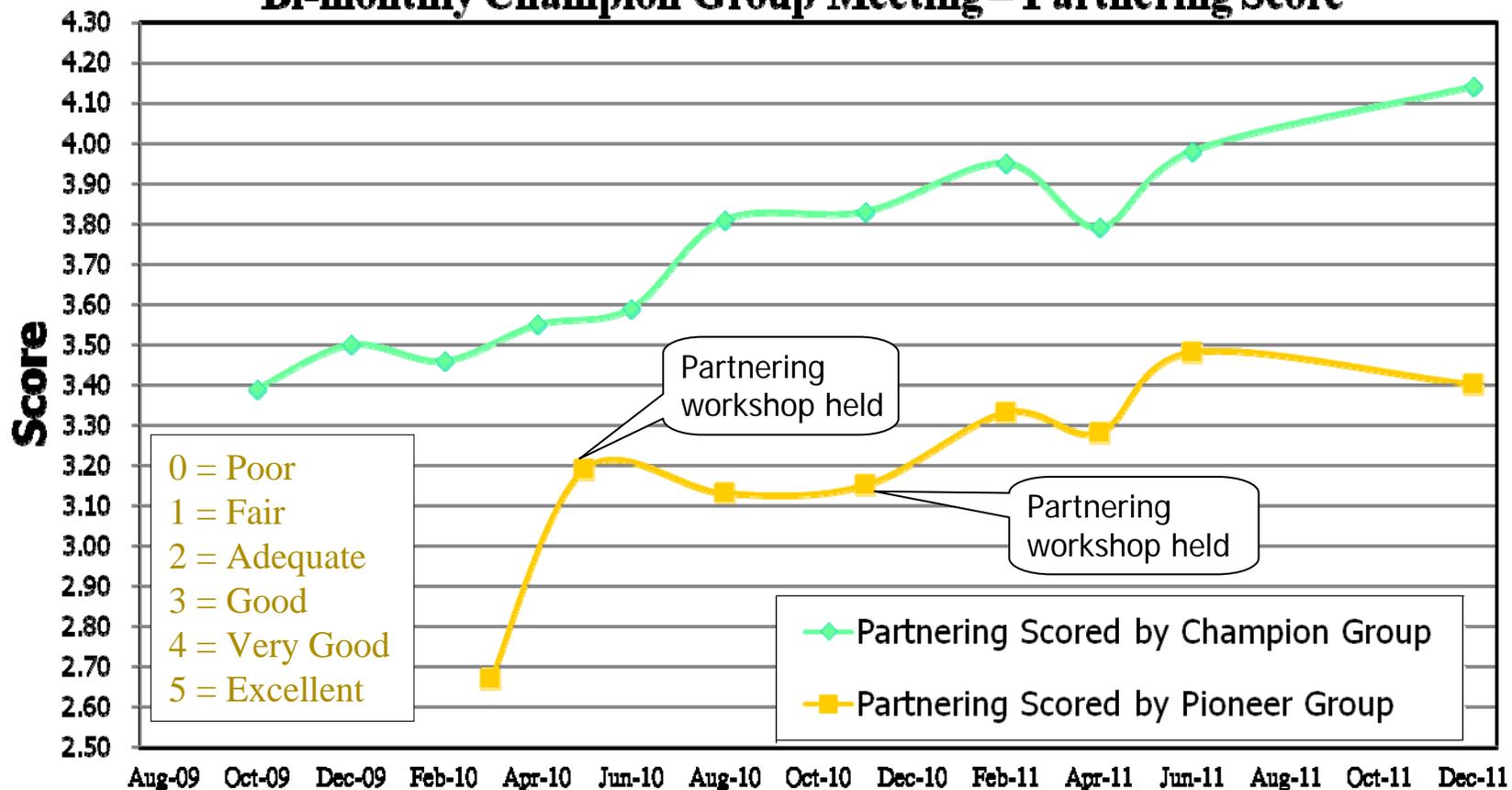


# Monitor Performance



## ■ Bi-monthly Champion Group Meeting

### Bi-monthly Champion Group Meeting – Partnering Score





# 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)

No. of CE related correspondence (both PM and Contractor's correspondence included)	336
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

- 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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