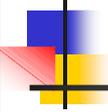




Drainage Services Department

*Evolution of Partnering Contracts - NEC Trial in
Government Projects
Tender Preparation & Administration of NEC Contracts*



Ir TSUI Wai

Deputy Director of Drainage Services

2 June 2012

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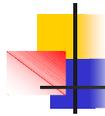


Content



- Gearing up for NEC – Preparation work
- Making NEC work – Administration experience
- Observations

2

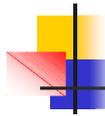


Gearing Up for NEC



- DSD NEC trial covers...
 - Different options
 - ECC Fixed Price (A/B), Target (C/D), TSC, PSC
 - Different nature
 - New projects, maintenance works
 - Different scale
 - Projects of varying complexity and scope
 - Different management structure
 - In-house or consultant-managed

3



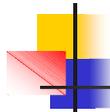
Preparation Work



- To launch NEC...
 - Choose the right Option
 - Option selection
 - Prepare tender documents
 - Turning Government works policies to NEC form
 - Industry awareness
 - Contractors' forum, pre-tender meeting
- Assistance by NEC Advisers



4



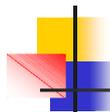
Choose the Right Option



- New projects – Engineering and Construction Contract (ECC)
 - Option A / B – Fixed price
 - Financial risk more on Contractor
 - Option C / D – Target cost
 - Fairer risk sharing
 - Option E – Cost reimbursement
 - Option F – Management contract
- Maintenance works – Term Service Contract (TSC) Option A – Priced contract



5

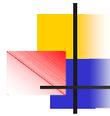


Choose the Right Option



Project	Estimated cost	NEC Form	Start / Completion
Building and Civil Maintenance to DSD plant and facilities	\$160M	TSC Option A – Priced contract with price list	End 2012 / End 2016
Pak Hok Lam trunk sewer and Sha Tau Kok village sewerage	\$200M	ECC Option B – Priced contract with bill of quantities	Mid 2012 / Early 2017
Lam Tsuen village sewerage	\$120M		End 2012 / End 2015
Fuk Man Road nullah improvement	\$70M	ECC Option C – Target contract with activity schedule	Aug 2009 / May 2012
Happy Valley underground stormwater storage scheme	\$700M		Mid 2012 / Early 2018
Yuen Long and Kam Tin Sewerage	\$180M	ECC Option D – Target contract with bill of quantities	Aug 2012 / Mid 2016

6



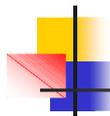
Choose the Right Option



- **TSC Option A**

- Building and Civil Maintenance to DSD plant and facilities
- Certainty of site areas (within DSD premises)
- Scope of works not certain at tender stage
- Option A – Priced contracts with price list
 - measure using price list

7



Choose the Right Option

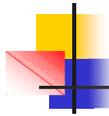


- **ECC Option B**

- Pak Hok Lam trunk sewer and Sha Tau Kok village sewerage
- Lam Tsuen village sewerage
- Resemblance to conventional approach
- Familiar



8

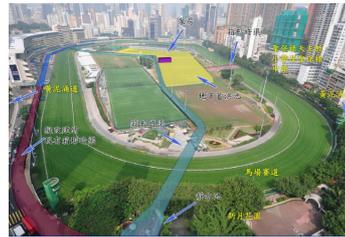


Choose the Right Option

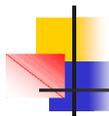


- ECC Option C

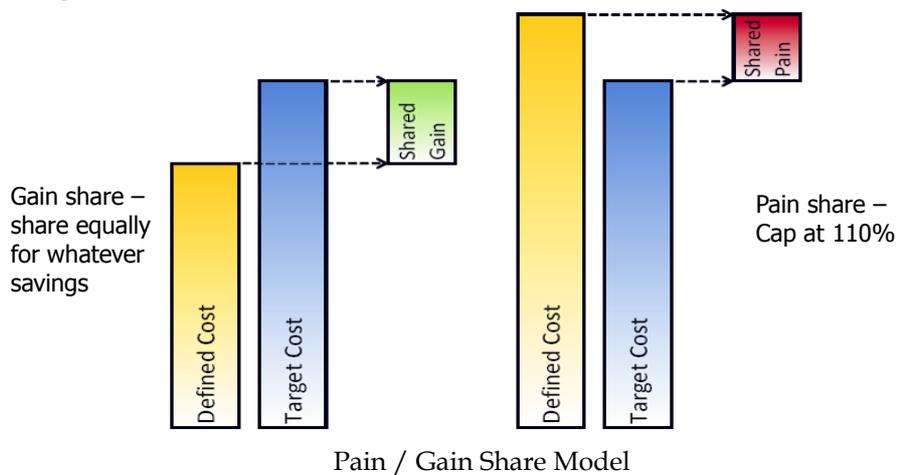
- Fuk Man Road nullah improvement
- Happy Valley underground stormwater storage scheme
- Cost saving incentive
- Fair risk sharing



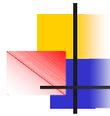
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Choose the Right Option



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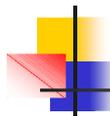


Choose the Right Option



- ECC **Option D**
 - Yuen Long and Kam Tin Sewerage
 - Cost saving incentive
 - Fair risk sharing
 - Flexibility to use BQ rates for compensation events

11



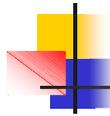
Prepare Tender Documents



- Modifications to NEC core clauses
 - Cash Positive to Negative
 - To suit Government practice
 - Inclement weather
 - Adopt GCC criteria
 - Subcontracting
 - For Target cost contract, payment on reimbursable basis
 - Introduce tendering requirements
 - incentive to select most competitive offer



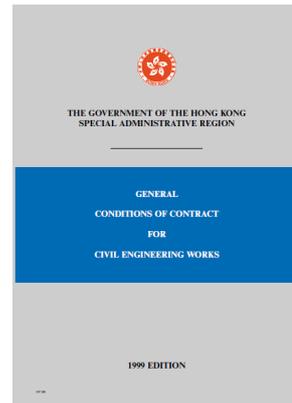
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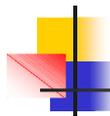
Prepare Tender Documents



- Option Z clauses (additional conditions of contract)
 - Select applicable standard policy conditions in GCC/SCC
 - E.g, Safety, labour and wages
 - Some are put in Works Information as appropriate



13



Industry Awareness



- Before Tender
 - Contractors' forum
 - Invite eligible tenderers
- During Tender
 - Tender briefing + dummy tender exercise
 - Enhance understanding
 - E.g., Type of contract (Priced / Target), Fee percentage
 - Ensure correct tender submissions
 - E.g., Proper pricing documents



14

Making NEC Work – Experience from Fuk Man Road Project



- **Training**
 - Forming the right team
- **Relationship Management**
 - Establish a “Partnering” spirit
 - Maintain and improve throughout
- **NEC Key Features**
 - Risk management
 - Time management
 - Compensation event



15

Training



- **Training to team members**
 - Employer
 - Project Manager
 - Supervisor
 - Contractor
- **At design / tender stage**
 - Overseas secondment
- **Joint training at contract stage**

16



Relationship Management

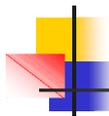


"10.1 – The Employer, the Contractor, the Project Manager and the Supervisor shall act as stated in this contract and in a spirit of mutual trust and co-operation"

- Establish partnering spirit
 - Start-up partnering workshop
 - Joint NEC training
 - Set up joint office
- Maintain and improve
 - Partnering review
 - Champion Group meeting



17



Relationship Management



- Establish partnering spirit
 - Start-up workshop to align mutual objectives:
 - Time – 6 months ahead
 - Cost – 5% savings
 - Others – quality, safety, developing landmark



- Joint Site Office

Supervisor's
Assistant Resident
Engineer

Contractor's
Engineer



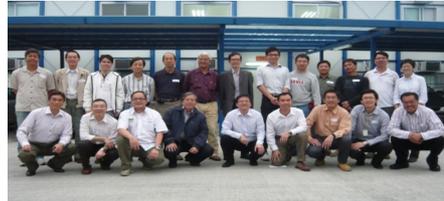
18



Relationship Management



• Maintain and Improve



■ Half-yearly partnering review



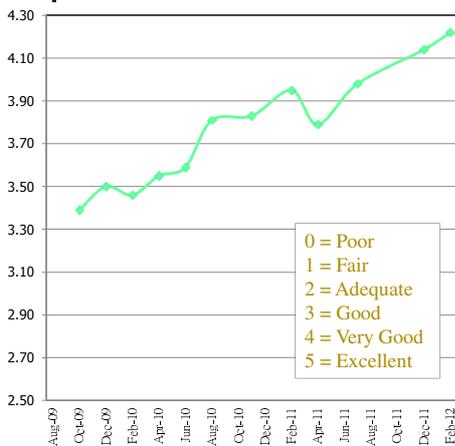
■ Joint DSD / BV / CW dragon boat team 2011

- Bi-monthly Champion Group meeting
 - Open discussion
 - Review Team's performance, including frontline staff (Pioneer Group)

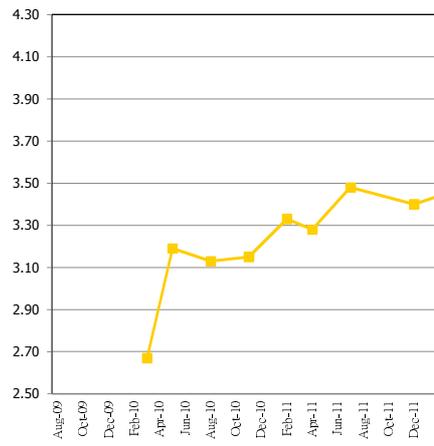
19



Relationship Management

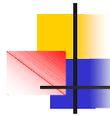


Partnering score of **Champion Group**



Partnering score of **Pioneer Group**

20



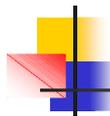
NEC Key Features



- Risk Management
 - Early Warning
 - *The C and PM give an early warning by notifying the other asap*
 - *Prices*
 - *Delay Completion*
 - *Affect quality*
 - Risk reduction meeting
 - E.g., change in roundabout layout
- NEC - Proactive risk management



21



NEC Key Features



- Compensation Event
 - Time frame and sanctions
 - Default acceptance if no reply
- NEC vs GCC
 - Quick settlement (*pre-event agreement*)
 - Unforeseen physical conditions, inclement weather – compensation events
 - *TIME and COST*
 - *Fairer risk sharing*

22

Observations – Fuk Man Road Project



- **Benefits**

- Good working relationship
- Almost 6 months ahead of contract period, 5% cost savings
- Compensation events
 - Expected to resolve all 4 months after completion
- Early warnings
 - 15 early warnings issued
 - Resolved jointly and promptly



23

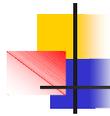
Observations – Fuk Man Road Project



- **Insight**

- Collaborative working at frontline level
 - Need time to adapt
 - Training and team building very important
- Compensation event
 - Time frame – stringent, yet need to achieve
 - More resources expected in contract stage
- Review of contract provisions
 - E.g., Subcontracting
 - Review, take into account practical difficulties

24



Conclusion

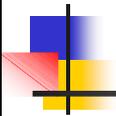


- NEC - facilitates better project management
 - Time & cost savings, fairer risk sharing, better relationship
- Founded on collaborative and partnering spirit
- Has been successful on Fuk Man Road
- Try, and Learn

25



Drainage Services Department



Thank You

26