



Drainage Services Department



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

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

A decorative graphic on the left side of the slide, featuring a yellow square, a red square, and a blue square, with a black crosshair-like structure overlaid.

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



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



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



Choose the Right Option

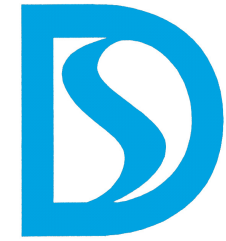


Project	Estimated cost	NEC Form	Start / Completion
Building and Civil Maintenance to DSD plant and facilities	\$160M	TSC Option A – Priced contract with price list	End 2012 / End 2016
Pak Hok Lam trunk sewer and Sha Tau Kok village sewerage	\$200M	ECC Option B – Priced contract with bill of quantities	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



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

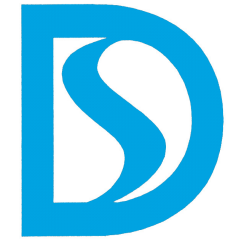


Choose the Right Option

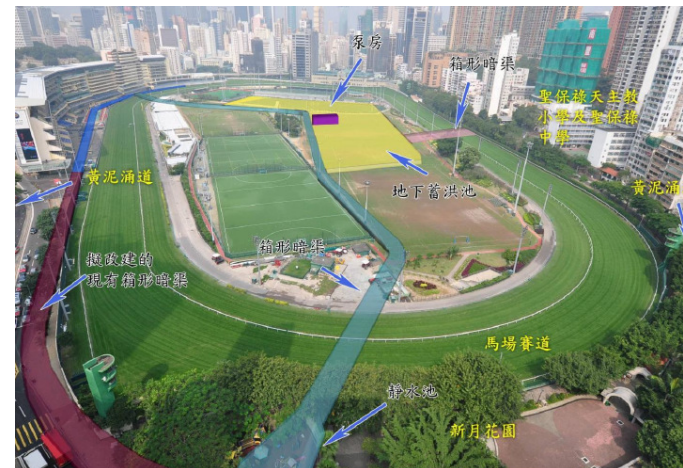
- ECC **Option B**
 - Pak Hok Lam trunk sewer and Sha Tau Kok village sewerage
 - Lam Tsuen village sewerage
 - Resemblance to conventional approach
 - Familiar

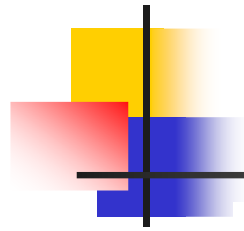


Choose the Right Option

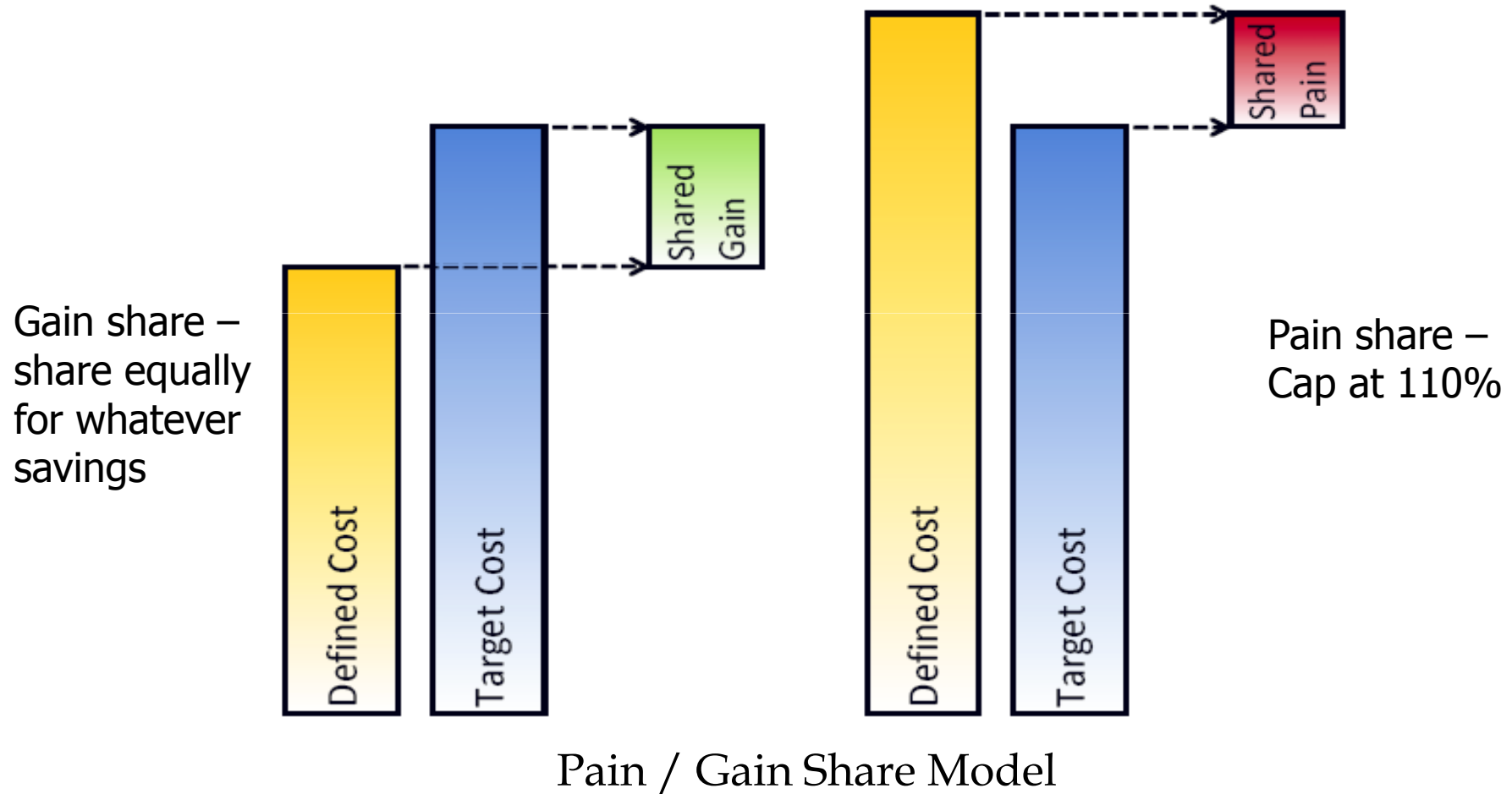


- ECC **Option C**
 - Fuk Man Road nullah improvement
 - Happy Valley underground stormwater storage scheme
 - Cost saving incentive
 - Fair risk sharing





Choose the Right Option





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



Prepare Tender Documents

- Modifications to NEC core clauses

- Cash Positive to Negative

- To suit Government practice

- Inclement weather

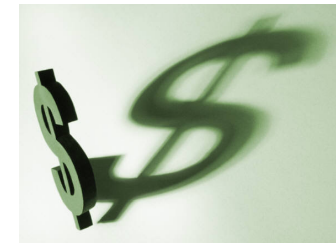
- Adopt GCC criteria

- Subcontracting

- For Target cost contract, payment on reimbursable basis

- Introduce tendering requirements

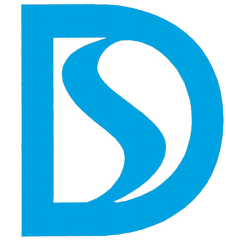
- incentive to select most competitive offer





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



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



Making NEC Work – Experience from Fuk Man Road Project



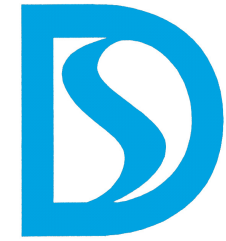
- Training
 - Forming the right team
- Relationship Management
 - Establish a “Partnering” spirit
 - Maintain and improve throughout
- NEC Key Features
 - Risk management
 - Time management
 - Compensation event



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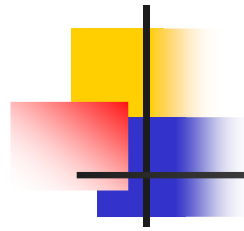
Black & Veatch Hong Kong Ltd.

Chun Wo Construction &
Engineering Co. Ltd.



Training

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



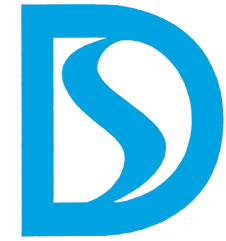
Relationship Management



*"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





Relationship Management

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

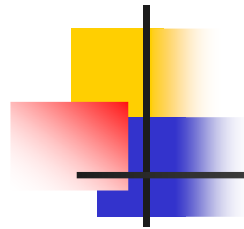


■ Joint Site Office

Supervisor's
Assistant Resident
Engineer

Contractor's
Engineer





Relationship Management



- Maintain and Improve



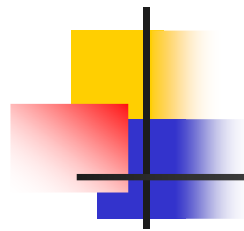
- Bi-monthly Champion Group meeting
 - Open discussion
 - Review Team's performance, including frontline staff (Pioneer Group)



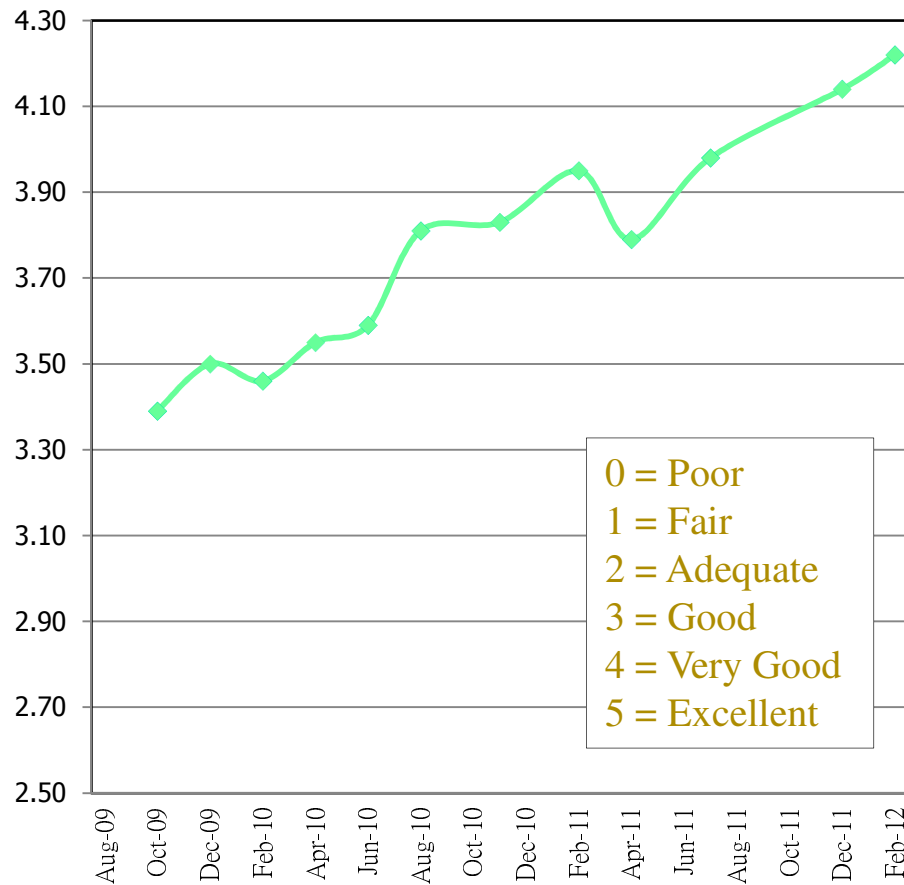
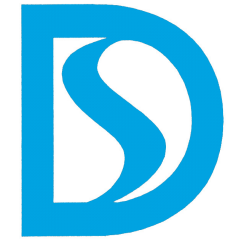
- Half-yearly partnering review



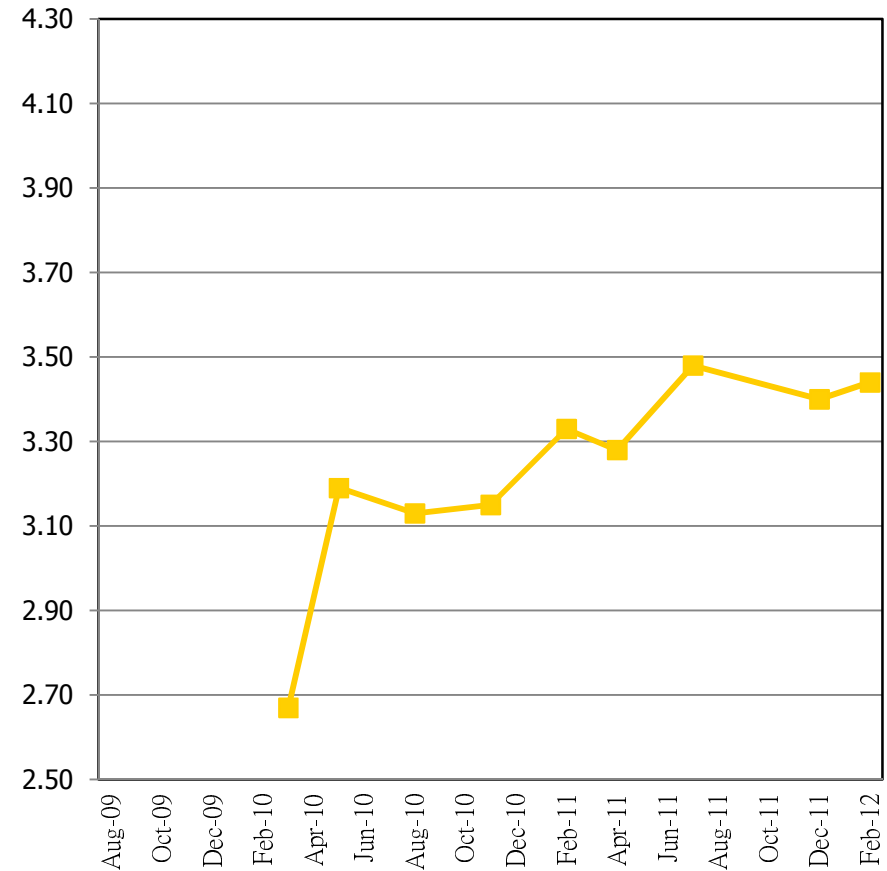
- Joint DSD / BV / CW dragon boat team 2011



Relationship Management



Partnering score of **Champion Group**



Partnering score of **Pioneer Group**



NEC Key Features

- Risk Management

- Early Warning

- *The C and PM give an early warning by notifying the other asap*

- *Prices*

- *Delay Completion*

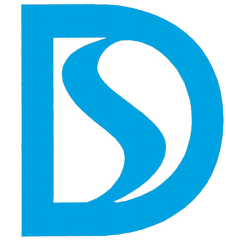
- *Affect quality*

- Risk reduction meeting

- E.g., change in roundabout layout

- NEC - Proactive risk management





NEC Key Features

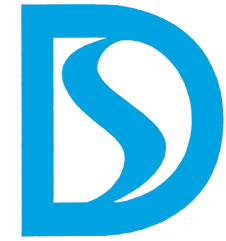
- Compensation Event
 - Time frame and sanctions
 - Default acceptance if no reply
- NEC vs GCC
 - Quick settlement (pre-event agreement)
 - Unforeseen physical conditions, inclement weather – compensation events
 - TIME and COST
 - Fairer risk sharing



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





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

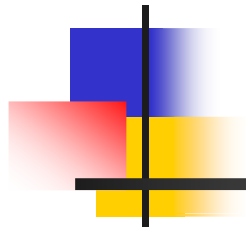


Conclusion

- 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



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Thank You
