

# BUILDING A WORLD OF DIFFERENCE

2 June 2012

**EXPERIENCE SHARING ON THE ADMISITRATION OF  
THE DSD PILOT CONTRACT (NEC Option C)**

**Contract No. DC/2008/02  
Improvement of Fuk Man Road Nullah in Sai Kung**

**Change of Consultant's Role & Highlights of Contract  
Management**

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B&V 2 February 2012

## AGENDA

- **Role of consultant in the Pilot Contract**
- **Highlights of Contract Management**
  - Compensation Event / Defect / Payment
- **Feedback**



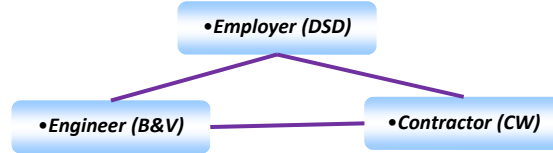
Photomontage of the  
proposed park under  
DC2008/02



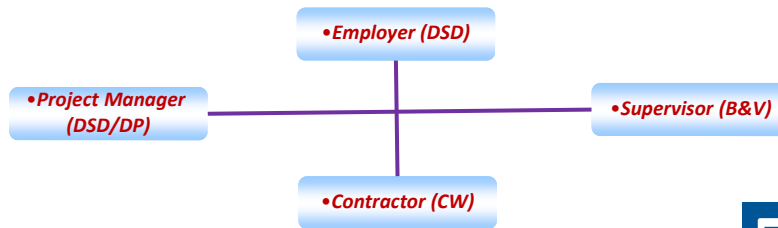
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## Difference in Project Organization

### GCC Project Organization



### NEC-ECC Project Organization



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## Document Framework GCC Vs NEC3 Option C

GCC	NEC
Notes to Tenderers	Notes to Tenderers
General & Special Conditions of Tender	General & Special Conditions of Tender
General Conditions of Contract	Core Clauses & Secondary Option Clauses
Special Conditions of Contract	Z Clauses (i.e. Additional Conditions of Contract)
Articles of Agreement	Articles of Agreement
-	Schedule of Articles of Agreement
BQ	Activity Schedule
Form of Tender	Form of Tender
Appendix to Form of Tender	Contract Data Part 1
-	Contract Data Part 2
Site Investigation Information (if any) (Not forming part of Contract)	Site Information
General & Particular Specifications	Works Information
Drawings	Works Information

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## Role of the Consultant in the Pilot Contract

	NEC	GCC
Title of B&V in this Pilot Contract	Supervisor	Engineer
RSS in this Pilot Contract	Supervisor's Representative (RSS post – RE)	Engineer's Representative
Role	Offering support to the <i>Project Manager</i> in execution of the day-to-day project management	Carry out the duties and exercise the power specified in the Contract. i.e. contract administration; watch & inspect the Works; test & examine materials; workmanship....etc

### Foreword to NEC conditions

- Stimulating **good management and relationship** between the parties to contract and , hence, of the **work included in the contract**



## Changes in Rules – changes in mindset

- The Contract is to be run by mutual trust and cooperation developed amongst Client, Consultant & Contractor with the **interests of the project**.
- Emphasis on effective communications – new rules for responding on project matters
- Transparency of Information and Decision Making
- Risks and Responsibilities Sharing concept
- Payment = Contractor's actual expenses + Fees



## Compensation Event (NEC characteristic)

- A single and unified procedure for all issues related to **TIME & COST** change
- Procedure designed with an aim to Quick Settlement (**pre-event agreement**)

*Typical types of Compensation Events are listed in NEC –ECC Core Clauses 60*



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## Compensation Event - Notification of CE

### NEC-ECC

- PM **within one week** replies a Notification of CE (ECC61.4)



More favourable to Contractor

### GCC

- No response time requirement on the Engineer



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## Compensation Event - compared with VO and Claim

### NEC-ECC

- Quotation for CE **ALWAYS** covers both time and cost (ECC62.2)
- No differentiation as VO or Claim

### GCC

- EOT and money are separately considered
- VO – \$ only
- Claim – Time or Time + \$



**More efficient  
project management**



## Compensation Event - compared with VO and Claim

### NEC-ECC

- An Agreement process **between PM and Contractor**
- Definite timeframe for both PM and Contractor

### GCC

- Valuation or Assessment **by the Engineer**
- No timeframe for reply

**Better Co-operation & Quicker finalization**

**More resources & focus onto the project works**

**Average agreement time in FMR : 52 days**



## Compensation Event - Assessment of Quotation for CE

### NEC-ECC

- Changes to Prices are effect of the CE upon COST + Fee

### GCC

- VO Valuation is based on contract rates  
(BQ rates, adjusted BQ rates or star rates as per GCC61)

**COMPENSATION principle**(cost + fee)

Open book account → Cost information readily available

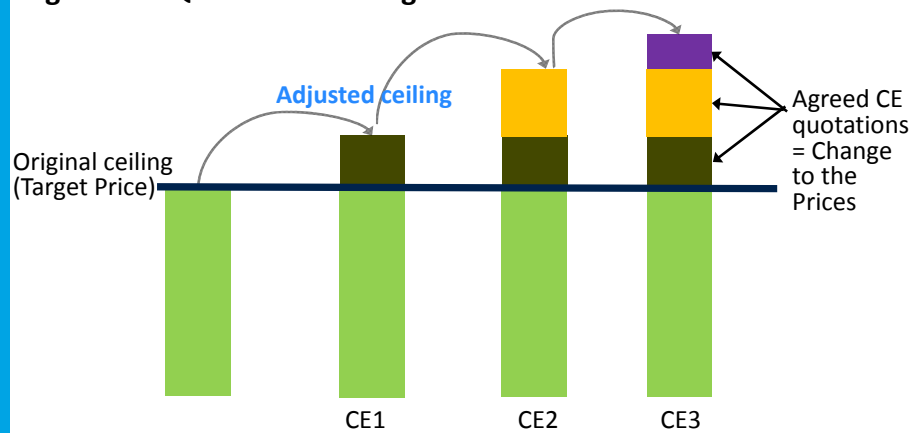


**Easier Agreement of Quotation  
+ Solid Back-up**



## Compensation Event - Assessment of Quotation for CE

**CE Quotation = Estimated Actual Cost\* + Fee** (\*Estimated cost includes Risk)  
**Agreed CE Quotation = Change to the Prices**



**Pain-Gain share between Employer and Contractor →**  
Based on **Final Adjusted ceiling vs Actual Cost**



## Compensation Event - Neutral Event ?

- There is **no “Neutral Event”** → All CE covers Time + \$  
  
(vs GCC: inclement weather, utility work, special circumstances → Time only)
- **9 nos.** CE for inclement weather agreed for DC/2008/02

CE for inclement weather **covers increase in Prices** →  
more competitive bids for the Employer in long term



## Compensation Event - Assessment of “Prolongation Costs”

### NEC-ECC

- ECC Schedule of cost components - covers information on preliminaries
- Each IP submission contains detailed breakdown of salaries, allowance, utility charges, etc

### GCC

- No information regarding preliminaries is provided
- Contractor is to give detailed particulars of the rate or sum claimed only after notification of claim

Open book account → Reliable Cost Data →  
Easier Agreement



## Handling of Defective Works

### Day-to-Day Tasks

- Issue of Notification of Defective Works
- Checking on Defect rectification
- Ensure Defects rectified within *defect correction period* (12 weeks after Completion)



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## Handling of Defective Works

- Cost of defect correction → Included as part of Defined Cost

Exception:

- **Disallowed Cost** (Defect corrected after Completion, Defect due to Contractor not complying constraints in Works Information)

**Incentive for earlier correction of Defects**

**Focus on Clearing the Defects (Not Blame)**

**Advance Defect notification to assist Contractor**



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## Handling of Payment

- **Disallowed Cost (Examples)**
  - Defects correction after completion  
(e.g. defect repair for roundabout)
  - Not justified by the Contractor's record  
(e.g. payment record missing)
  - Resources not used to Provide the Works  
(e.g. extra staff or unreasonable material wastage)
  - Resources not taken away from the Working Area after PM's request  
(e.g. idle water pumps)



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## Handling of Payment - Payment Mechanism

- Payment based on the PAID elements of Defined Cost

**Quick settlement of wages & payment to subcontractors and suppliers**



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## Handling of Payment – Price Adjustment for Inflation

- Calculated and Frozen at each IP to “offset” the effect of fluctuation
- Adjustment to **Target Price (not amount due)**
- **Sharing** of Adjustment to Target Price (what if Defined Cost >110%?)



## Cutting Contract Cost together

- **Reduction in Defined Cost**
  - PM, Supervisor and Contractor joining hands to streamline work procedure for cost saving
    - E.g. TTA for roundabout resurfacing works (changed from 8 stages to 4 stages with joint effort)
    - E.g. Existing nullah wall to be demolished (part of the existing wall retained and encased by permanent structure)
    - E.g. Use of couplers specified in contract (proposal for use of starter bar with corrosion protection coating accepted for cost saving)



## - Feedback from Trial Experience

### In General

- More Engineering and Project Orientated
- Real Partnering ( building trust not hatred )

### Contract Finalization

- Easier settlement due to Open Book Account system
- Stipulated timeframe makes agreement process start when things are still fresh (right people and right time)

### Variations

- Quick settlement & Compensation Principle allows focus on factual issue and less on guessing tactics
- Better decision making on project management (Contractor, Client & Consultant views taken)



## Up-to-date Observations from Fuk Man Road NEC

### Main Contractor & Subcontractors

Successfully made their money from the contract

### Consultant

- Less Conflicts
- More Job Satisfaction

### Client

- Save time
- Save money ??



Building a **world** of difference.®

# Together



BLACK & VEATCH