

Seminar on New Engineering Contract

By Ir Tsui Wai

This seminar was successfully organized on 4 June 2014. The speaker of this seminar was Ir Tsui Wai, Deputy Director of Drainage Services Department (DSD). And a total of 47 participants attended this seminar.

The use of New Engineering Contract (NEC) in Hong Kong has been gaining momentum in recent years, and DSD is the first Works Department using NEC. In 2009, DSD embarked on Government's first pilot NEC Engineering and Construction Contract, Contract No. DC/2008/02, "Fuk Man Road Nullah Improvement in Sai Kung". Since the successful completion of this first pilot contract, DSD has pursued the trial by launching six more NEC works contracts of different options, scale and nature, including the first Government NEC E&M contract. DSD has drawn up a plan to try out more NEC contracts/consultancies in the following three years.



Ir Tsui Wai disseminated the intended purpose and special features of NEC. The principles of NEC are that the Employer, the Contractor, the Project Manager and the Supervisor shall act as stated in the contract and in a spirit of mutual trust and cooperation. For example, risk reduction meetings are held on regular basis in NEC contract. All parties would work together to identify risks and figure out solutions to tackle the identified risks in the risk reduction meetings. Unlike traditional contract, all parties could raise up the risks and discuss with other parties to find out the corresponding solutions. Also, it is common in NEC contract that a joint site office is shared between the Project Manager, the Supervisor and the Contractor to facilitate discussion and

meetings, and information flow for the benefit of the project.

Ir Tsui Wai discussed different options of NEC. Main options under ECC included Options A, B, C, D, E and F. Options A and B were price contract with activity schedule or bills of quantities. Options C and D were target cost contract with activity schedule or bill of quantities. Option E was cost reimbursement contract. And Option F was management contract.

Benefits of NEC in progress included common objectives and collaboration, early agreement of programme, prompt resolution of site problems, better control of progress and timely completion of outstanding works at completion. Benefits of NEC in costing included quick agreement of quotations, motivating cost saving initiatives, better control of budget, avoiding dispute and finalizing contract early.

Then Ir Tsui Wai reviewed the process and timeline of how the first pilot contract namely Fuk Man Road Nullah Improvement was successfully launched. This contract was an Option C NEC Contract, which was a Target Cost Contract. This contract achieved 6-month early completion and 5% cost saving for sharing. This Contract also obtained public appreciation on landmark park and team spirit enhancement.



Ir Tsui Wai further shared other ongoing NEC contracts being currently carried out by DSD, which included DC/2012/09, DC/2012/03, DC/2012/05, DC/2012/07 and DC/2012/01. Ir Tsui Wai also emphasized the importance of having a workforce, including both professional and technical personnel, with proper understanding of the principles and sufficient knowledge of the

contract provisions of NEC. He suggested how the construction industry and its stakeholders should be prepared in pursuit of a wider use of NEC in Hong Kong. The industry and stakeholders should change their mindset to operating contract under mutual trust and cooperation. Adequate training should be provided to improve workers' knowledge on the form of NEC contract, contractual terms, administrative procedure, programming, cost accounting, etc. Also adequate resources allocation should be provided for NEC advisory and project management as well as programming and costing.

This presentation provided participants a valuable opportunity to explore the special features of NEC and its potentials in widely use of NEC in Hong Kong. Ir Tsui Wai demonstrated that NEC has good potential in substantially improving the relationship among the contracting parties, thus leading to successful and timely delivery of projects. This interesting presentation was well received by the audience. As an appreciation to Ir Tsui Wai for his time and efforts in delivering this seminar, an EAHK souvenir was presented to Ir. Tsui Wai.

